Description of document:	Written responses or letters from the Office of the Comptroller of the Currency (OCC) to a Congressional Committee, CY 2012-2013
Requested date:	20-April-2013
Released date:	10-June-2013
Posted date:	29-July-2013
Source of document:	Office of the Comptroller of the Currency Disclosure Officer Washington, DC 20219 Fax: (202) 874-5274 OCC Online FOIA request submission portal

Office of the Comptroller of the Currency

Washington, DC 20219

June 10, 2013

This is in response to your letter dated April 20, 2013, which was received in my office on April 29, 2013 for processing under the Freedom of Information Act, 5 U.S.C. 552.

You requested a copy of each written response or letter from the Office of the Comptroller of the Currency to a Congressional Committee (not a congressional office) (or Committee Chair) in calendar years 2012 and 2013 to date. In an email dated May 9 you specifically identified the Committee as:

1. Senator Timothy Johnson (Chairman) Senate Committee on Banking, Housing and Urban Affairs
2. Senator Michael Crapo (Ranking Member) Senate Committee on Banking, Housing and Urban Affairs, Subcommittee on Financial Institutions and Consumer Protection;
3. Senator Sherrod Brown (Subcommittee Chairman) Subcommittee on Financial Institutions and Consumer Protection
4. Senator Patrick Toomey Sr. (Subcommittee Ranking Member) Subcommittee on Securities, Insurance and Investment
5. Senator Jon Tester (Subcommittee Chairman) Subcommittee on Securities, Insurance and Investment
6. Senator Michael Johanns (Subcommittee Ranking Member)) Subcommittee on Securities, Insurance and Investment
7. Rep. Jeb Hensarling (Chairman) House Committee on Financial Services
8. Rep. Maxine Waters (Ranking Member) House Committee on Financial Services
9. Rep. Patrick T. McHenry (Chairman) Subcommittee on Oversight and Investigation
10. Rep. Al Green (Ranking Member) Subcommittee on Oversight and Investigation
11. Rep. Shelley Moore Capito (Chairman)Subcommittee on Financial Institutions and Consumer Credit
12. Rep. Gregory Weeks (Ranking Member) Subcommittee on Financial Institutions and Consumer Credit
13. Rep. Jeb Hensarling (Chairman) House Committee on Financial Services

Your request is granted in part and denied in part. Materials relevant to your request are enclosed with an invoice for charges. Identifying details have been deleted by the authority of (b)(6) 5 U.S.C. 552(b)(6) and 12 C.F.R. 4.12(b)(6), relating to a personnel, medical, or similar record, including a financial record, or any portion thereof, where disclosure would constitute a clearly unwarranted invasion of personal privacy.

If you consider any of the above to be an improper denial of your request, you may appeal such denial to the Comptroller of the Currency. The appeal should be filed within 35 days of the date of this letter, should state the circumstances and reasons or arguments in support of the appeal, and be submitted via our online FOIA application at https://foia-pal.occ.gov/ or be mailed to the Manager, Disclosure Services & Freedom of Information Act Officer, Communications Division, Mailstop 6W-11, Office of the Comptroller of the Currency, Washington, DC 20219.

Sincerely yours,

Frank D. Vance, Jr.

Frank D. Vance, Jr.
Manager, Disclosure Services &
Freedom of Information Act Officer
Communications Division

Enclosure(s)
#2013-00332-F

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

January 25, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Johnson:

Thank you for your letter of January 12, 2012, requesting access by Members of the Senate Committee on Banking, Housing, and Urban Affairs and their staff to the un-redacted versions of the engagement letters submitted to the OCC by independent consultants as a requirement of our April 13, 2011, consent orders. These engagement letters outline the consultants' methodology for conducting the independent foreclosure review by which borrowers who may have suffered financial harm as a result of a mortgage servicer's error, omission, misrepresentation, or other deficiency, may receive an independent review of their case.

I appreciate your recognition that these documents contain proprietary and confidential supervisory information and your assurance that the staff members who review the letters will protect the information from unauthorized public disclosure.

The OCC will make the un-redacted engagement letters available for Committee Members and staff to review at the OCC offices. As the OCC is a secured building, staff will need to contact the Office of Congressional Liaison prior to their arrival to make arrangements for entry. Congressional staff will then be escorted to one of our conference rooms where they can review the letters. Staff will be able to take notes, but will not be authorized to make copies of any pages or remove any portion of the letters from the OCC.

If you, or any Members or staff have questions about this process, please feel free to contact me or Carrie Moore, Deputy Director - Congressional Liaison, at (202) 874-4844.

Sincerely,

John Walsh

John Walsh
Acting Comptroller of the Currency

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

February 1, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

This letter transmits the Third Quarter 2011 Report on performance of first-lien residential mortgages serviced by national banks and federal savings associations pursuant to section 104 of the Helping Families Save Their Homes Act of 2009 (Act).[1] Pursuant to section 312(b)(2)(B) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)[2], all functions of the OTS relating to federal savings associations were transferred to the OCC effective July 21, 2011. Accordingly, the OCC is submitting the enclosed report, which was previously submitted jointly by OCC and OTS.

The report covers nearly 33 million first-lien mortgage loans totaling almost $5.6 trillion in principal balances, constituting approximately 62 percent of all first-lien mortgages outstanding in the United States,[3] and provides information on loan performance, including loan modification and home forfeiture actions, over the period from the beginning of the third quarter of 2010 through the end of the third quarter of 2011. For purposes of this report, performance of modified loans is measured beginning three months after the modification. As a result, the performance information on modified loans shown in this report reflects all modifications implemented by the reporting institutions through the end of the second quarter of 2011. The report provides information on all types of mortgages serviced, including subprime mortgages.

The report includes information specifically required by section 104 of the Act, as amended by section 1493(a) of the Dodd-Frank Act, requiring the information to be provided for each state,[4] as follows: (1) the total number of mortgage modifications resulting in the modification of terms or combinations of terms, such as interest rate reductions, and reductions or deferrals of principal

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[1] Pub. L. No. 111-22, § 104, 123 Stat. 1632, 1636 – 37 (2009).
[2] Pub. L. No. 111-203, § 312(b)(2)(B), 124 Stat. 1376, 1522 (2010).
[3] Based on the Federal Reserve Board's third quarter 2011 Flow of Funds statistical release.
[4] Pub. L. No. 111-203, § 1493(a), 124 Stat. 1376, 2206 – 07 (2010).

(pages 55 and 57); (2) the total number of mortgage modifications resulting in changes to total monthly principal and interest payments (page 59); and (3) the total number of loans that were modified and then went into default, where the loan modification resulted in monthly payments that increased or decreased (page 61).

Questions about the information we have provided may be directed to Carrie Moore, Deputy Director, Congressional Liaison (202), 874-4844.

Sincerely,

John Walsh

John Walsh
Acting Comptroller of the Currency

Enclosure

Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

OCC Mortgage Metrics Report

Disclosure of National Bank and Federal Savings Association Mortgage Loan Data

Third Quarter 2011

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

December 2011

Contents

Executive Summary

This *OCC Mortgage Metrics Report* for the third quarter of 2011 provides performance data on first-lien residential mortgages serviced by selected national banks and a federal savings association (or thrift). The mortgages in this portfolio comprise 62 percent of all mortgages outstanding in the United States—32.4 million loans totaling $5.6 trillion in principal balances. This report provides information on their performance through September 30, 2011.

The overall quality of the portfolio of serviced mortgages remained almost unchanged from the previous quarter, with the percentage of current and performing loans decreasing by 0.1 percentage point from the previous quarter to 88.0 percent of the overall portfolio at the end of the third quarter. The percentage of current and performing loans increased by 0.7 percent from a year earlier (see table 7).

Delinquencies remained elevated but stable during the third quarter of 2011 but have declined from a year ago. However, the number of new foreclosures increased by 21.1 percent during the quarter as servicers lifted voluntary moratoria implemented in late 2010 and exhausted alternatives to foreclosure for the large inventory of seriously delinquent mortgages working through the loss mitigation process. The increase in new foreclosures and the increase in average time required to complete foreclosures sales has resulted in the number of foreclosures in process increasing to 4.1 percent of the overall portfolio, or 1,327,077 loans, at the end of the third quarter of 2011.

Servicers continued to emphasize alternatives to foreclosure during the third quarter, initiating more than two-and-a-half times as many new home retention actions—loan modifications, trial-period plans, and payment plans—as completed foreclosures, short sales, and deed-in-lieu-of-foreclosure transactions.

Mortgage Performance

- The percentage of mortgages that were current and performing decreased slightly to 88.0 percent (see table 7).
- The percentage of mortgages that were 30 to 59 days delinquent did not change from the previous quarter and remained 3.0 percent of the overall portfolio. The percentage of early-stage delinquencies decreased by 5.6 percent from a year earlier (see table 7).
- The percentage of government-guaranteed mortgages that were current decreased to 85.2 from 85.7 percent in the prior quarter (see table 9).
- Mortgages serviced for Fannie Mae and Freddie Mac (government-sponsored enterprises or GSEs) made up the majority of mortgages in the reporting servicers' portfolios. The overall percentage of these mortgages that were current and performing did not change from the previous quarter percentage of 93.1 percent. However, the percentage of GSE mortgages that were seriously delinquent increased to 2.5 percent (see table 10).
- The percentage of mortgages in the overall portfolio that were seriously delinquent at the end of the third quarter of 2011was 4.9 percent—the same percentage as the previous quarter but a decline of 305,279 mortgages from a year earlier (see table 11).

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

- Servicers implemented 458,899 new home retention actions—modifications, trial-period plans, and payment plans—during the third quarter of 2011 (see table 1). This was more than two-and-a-half times the 172,785 completed foreclosures, short sales, and deed-in-lieu-of-foreclosure actions during the quarter (see table 5). The number of new home retention actions in the third quarter increased by 0.6 percent from the previous quarter and decreased 2.4 percent from a year earlier.

- New home retention activity comprised 137,539 modifications, 156,801 trial-period plans, and 164,559 payment plans during the third quarter of 2011. Home Affordable Modification Program (HAMP) modifications decreased 23.0 percent from the previous quarter to 53,941. During the past five quarters, servicers initiated more than 2.4 million home retention actions—889,990 modifications, 809,658 trial-period plans and 717,635 payment plans (see table 1).

Table 1. Number of New Home Retention Actions

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Other Modifications	174,862	152,375	106,512	80,185	83,598	4.3%	-52.2%
HAMP Modifications	58,856	56,340	53,250	70,071	53,941	-23.0%	-8.4%
Other Trial-Period Plans	71,890	81,034	181,099	118,928	127,463	7.2%	77.3%
HAMP Trial-Period Plans	45,087	53,022	67,649	44,148	29,338	-33.5%	-34.9%
Payment Plans	119,589	131,988	158,821	142,678	164,559	15.3%	37.6%
Total	470,284	474,759	567,331	456,010	458,899	0.6%	-2.4%

- Servicers capitalized missed payments and fees in 88.5 percent of all modifications made during the third quarter of 2011 and reduced interest rates in 77.5 percent of modifications. Term extensions were used in 57.8 percent of modifications, principal deferrals in 20.5 percent, and principal reductions in 7.8 percent (see table 17). Among HAMP modifications, servicers reduced interest rates in 86.8 percent, deferred principal in 34.9 percent, and reduced principal in 10.2 percent of those modifications (see table 18).

- Servicers reduced monthly principal and interest payments by 24.4 percent for borrowers who qualified for modifications, with an average decrease of $382. HAMP modifications reduced payments by an average of $567, or 35.1 percent and other modifications reduced monthly payments by $262 (see table 24). Nearly 90 percent of all modifications made during the third quarter reduced monthly payments (see table 22).

Modified Loan Performance

- More recent modifications that emphasized reduced payments, sustainability, and affordability have outperformed modifications implemented in earlier periods.

- Servicers modified 2,258,026 mortgages from the beginning of 2008 through the end of the second quarter of 2011. At the end of the third quarter of 2011, 50.8 percent of these modifications remained current or were paid off. Another 8.8 percent were 30 to 59 days delinquent, and 17.7 percent were seriously delinquent. Eleven percent were in the process of foreclosure, and 5.9 percent had completed the foreclosure process (see table 2).

- HAMP modifications continued to perform better than other modifications (see table 2). Of the 469,535 HAMP modifications implemented since the third quarter of 2009, 70.5 percent remained current or were paid off, compared with 55.7 percent of other modifications implemented during the same time period. The better performance of HAMP modifications reflects HAMP's significantly reduced monthly payments, its emphasis on affordability relative to borrower income, required income verification, and required trial-period.

- Modifications that reduced payments by 10 percent or more performed better than those that reduced payments by less than 10 percent. At the end of the third quarter of 2011, 58.8 percent of modifications that reduced payments by 10 percent or more were current and performing, compared with 36.3 percent of those that reduced payments by less (see table 2).

Table 2. **Status of Mortgages Modified in 2008–2011**

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures In Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	421,322	25.0%	6.4%	19.9%	17.8%	15.5%	3.2%	12.2%
2009	587,460	39.6%	8.3%	20.7%	14.6%	7.8%	1.7%	7.3%
2010	939,226	58.6%	9.7%	16.6%	8.3%	2.3%	0.5%	4.0%
2011**	310,018	74.0%	10.3%	12.6%	2.5%	0.3%	0.2%	0.2%
Total	2,258,026	49.5%	8.8%	17.7%	11.0%	5.9%	1.3%	5.9%
HAMP Modification Performance Compared With Other Modifications***								
Other Modifications	1,035,623	55.0%	10.4%	18.8%	8.8%	3.0%	0.7%	3.2%
HAMP Modifications	469,535	70.2%	8.1%	10.8%	5.2%	1.3%	0.3%	3.9%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,321,217	58.8%	8.8%	14.4%	8.2%	3.4%	0.6%	5.7%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	936,809	36.3%	8.9%	22.4%	14.8%	9.5%	2.0%	6.1%

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

**Includes modifications implemented during 2011 in effect at least three months.

***Modifications used to compare with HAMP modifications only include modifications implemented from the third quarter of 2009 through the second quarter of 2011.

- Modifications on mortgages held in the servicers' own portfolios performed better than modifications on mortgages serviced for others. Of the modifications implemented from January 1, 2008 through September 30, 2010 that were in effect at least one year, 25.2 percent of modifications on mortgages held in the servicers' own portfolios were 60 or more days delinquent after 12 months compared with more than 28 percent for GSE mortgages, 48.3 percent for private investor-held loans, and 50.8 percent for government-guaranteed mortgages. This variance may have resulted from differences in modification programs, and servicers' additional flexibility when modifying mortgages they owned compared with mortgages serviced for others (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	12.1%	19.4%	24.5%	28.8%
Freddie Mac	11.7%	18.9%	24.3%	28.2%
Government-Guaranteed	17.4%	34.9%	45.0%	50.8%
Private	24.3%	35.7%	43.0%	48.3%
Portfolio Loans	8.0%	15.6%	21.4%	25.2%
Overall	16.2%	26.7%	33.6%	38.5%

*Data include all modifications made since January 1, 2008 that have aged the indicated number of months.

Foreclosures and Other Home Forfeiture Actions

- Newly initiated foreclosures in the third quarter of 2011 increased by 21.1 percent from the previous quarter, but decreased by 11.8 percent from a year earlier. This quarterly increase results from the large number of seriously delinquent mortgages working their way through the loss mitigation process toward foreclosure. The number of foreclosures in process increased 0.5 percent from the previous quarter and 7.6 percent from a year earlier as the length of time required to complete foreclosure lengthens (see table 4).

Table 4. New Foreclosures and Foreclosures in Process							
	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Newly Initiated Foreclosures	394,356	355,945	312,235	287,162	347,726	21.1%	-11.8%
Foreclosures in Process	1,233,717	1,312,462	1,308,757	1,319,987	1,327,077	0.5%	7.6%

- Home forfeiture actions totaled 172,785 at the end of the quarter—a decrease of 4.1 percent from the previous quarter and a decrease of 30.1 percent from a year earlier. Completed foreclosures decreased by 7.0 percent from the previous quarter and 40.5 percent from a year earlier. New short sales increased by 1.9 percent from the previous quarter. New deed-in-lieu-of-foreclosure actions increased by 2.9 percent from the previous quarter and 51.5 percent from a year earlier, but remained a small component of home forfeiture actions (see table 5).

Table 5. Completed Foreclosures and Other Home Forfeiture Actions							
	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Completed Foreclosures	189,285	95,070	119,739	121,209	112,686	-7.0%	-40.5%
New Short Sales	56,270	49,061	50,108	56,406	57,479	1.9%	2.1%
New Deed-in-Lieu-of-Foreclosure Actions	1,729	2,085	1,700	2,547	2,620	2.9%	51.5%
Total	247,284	146,216	171,547	180,162	172,785	-4.1%	-30.1%

About Mortgage Metrics

The *OCC Mortgage Metrics Report* presents data on first-lien residential mortgages serviced by national banks and a federal savings association focusing on credit performance, loss mitigation efforts, and foreclosures. The OCC collects these data from the eight national banks and one federal savings association with the largest mortgage-servicing portfolios among national banks and federal savings associations.[1] The data represent 62 percent of all first-lien residential mortgages outstanding in the country. Almost 93 percent of the mortgages in the portfolio were serviced for investors other than the reporting institution. At the end of September 2011, the reporting institutions serviced 32.4 million first-lien mortgage loans, totaling nearly $5.6 trillion in outstanding balances (see table 6).

Although the loans reflected in this report represent a large percentage of the overall mortgage industry, they do not represent a statistically random sample of all mortgage loans. The characteristics of these loans may differ from the overall population of mortgages. This report does not attempt to quantify or adjust for known seasonal effects that occur within the mortgage industry.

In addition to providing information to the public, the report and its data support the supervision of national bank and thrift mortgage-servicing practices. Examiners use the data to help assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and necessary loan-loss reserves, and assess 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 and the participating institutions devote significant resources to ensuring that the information is reliable and accurate. Steps to ensure the validity of the data include comparisons with the institutions' quarterly call and thrift financial reports, with internal quality reviews conducted by the banks and savings association and with data supplied by participating banks and savings association and aggregated by an external vendor to support this report. Data sets of this size and scope inevitably suffer from a degree of inconsistency, missing data, and other imperfections. This report notes cases in which data anomalies may have affected the results. The OCC requires servicers to adjust previous data submissions when errors and omissions are detected. In some cases, data presented in this report reflect resubmissions from institutions that restate and correct earlier information.

The report also includes mortgage modification data by state in appendix E. Developed over several quarters, these data fulfill reporting requirements in the Dodd–Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203).

Definitions and Method

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

[1] The eight national banks are Bank of America, JPMorgan Chase, Citibank, HSBC, MetLife, PNC, U.S. Bank, and Wells Fargo. The federal savings association is OneWest Bank.

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

Approximately 12 percent of mortgages in the portfolio were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime mortgages. In large part, the lack of credit scores results from acquisitions of portfolios from third parties for which borrower credit scores at origination were not available.

Additional definitions include:

- **Completed foreclosures**—Ownership of properties transferred to servicers or investors. The ultimate result is the loss of borrowers' homes because of nonpayment.
- **Deed-in-lieu-of-foreclosure actions**—Actions in which borrowers transfer ownership of the properties (deeds) to servicers in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on borrowers' credit records. Deed-in-lieu-of-foreclosure actions typically have a less adverse impact than foreclosures on borrowers' credit records.
- **Foreclosures in process**—Number of mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the process resulting in the loss of borrowers' homes. The foreclosure process varies by state and can take 15 months or more to complete. Many foreclosures in process never result in the loss of borrowers' homes because servicers simultaneously pursue other loss mitigation actions, and borrowers may act to return their mortgages to current and performing status.
- **Government-guaranteed mortgages**—All mortgages with an explicit guaranty from the U.S. government, including the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and, to a lesser extent, certain other departments. These loans may be held in pools backing Government National Mortgage Association (Ginnie Mae) securities, owned by or securitized through different third-party investors, or held in the portfolios of reporting institutions.
- **Home retention actions**—Loan modifications, trial-period plans, and payment plans that allow borrowers to retain ownership and occupancy of their homes while attempting to return the loans to a current and performing status.
- **Loan modifications**—Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Newly initiated foreclosures**—Mortgages for which the servicers initiate formal foreclosure proceedings during the quarter. 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 in order to return mortgages to a current and performing status.

- **Payment-option, adjustable rate mortgages (ARM)**—Mortgages that allow borrowers to choose a monthly payment that may initially reduce principal, pay interest only, or result in negative amortization, when some amount of unpaid interest is added to the principal balance of the loan and results in an increased balance.
- **Principal deferral modifications**—Modifications that remove a portion of the principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications**—Modifications that permanently forgive a portion of the principal amount owed on a mortgage.
- **Re-default rates**—Percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As measures of delinquency, this report presents re-default rates using 30, 60, and 90 or more days delinquent and in process of foreclosure. It focuses on the 60-day-delinquent measure. All re-default data presented in this report are based on modified loans in effect for the specified amount of time after the modification. All loans that have been repaid in full, been refinanced, been sold, or completed the foreclosure process are removed from the calculation. Data include only modifications that have had time to age the indicated number of months following the modification.
- **Seriously delinquent loans**—Mortgages that are 60 or more days past due, and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **Short sales**—Sales of the mortgaged properties at prices that net less than the total amount due on the mortgages. Servicers and borrowers negotiate repayment programs, forbearance, or forgiveness for any remaining deficiency on the debt. Short sales typically have a less adverse impact than foreclosures 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 permanent following the successful completion of the trial period.

Loan delinquencies are reported using the Mortgage Bankers Association convention that a loan is past due when a scheduled payment is unpaid for 30 days or more. The statistics and calculated ratios are based on the number of loans rather than on the dollar amount outstanding.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, which is rounded to two decimal places. The report uses whole numbers when approximating. Values in tables may not total 100 percent because of rounding.

In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 9/30/11), quarter-to-quarter changes are shown under the column "1Q %Change" column, and year-to-year changes are shown under the column "1Y %Change" column.

In tables throughout this report, percentages shown under "1Q %Change" and "1Y %Change" are calculated using actual data, not the rounded values reported for each quarter. Calculating period-to-period changes from the rounded values reported in the tables may yield materially different values than those values indicated in the table.

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

PART I: Mortgage Performance

Part I describes the performance of the overall mortgage portfolio, mortgages owned and held by the reporting banks and savings association, government-guaranteed mortgages, mortgages serviced for the GSEs, and mortgages within each risk category.

Overall Mortgage Portfolio

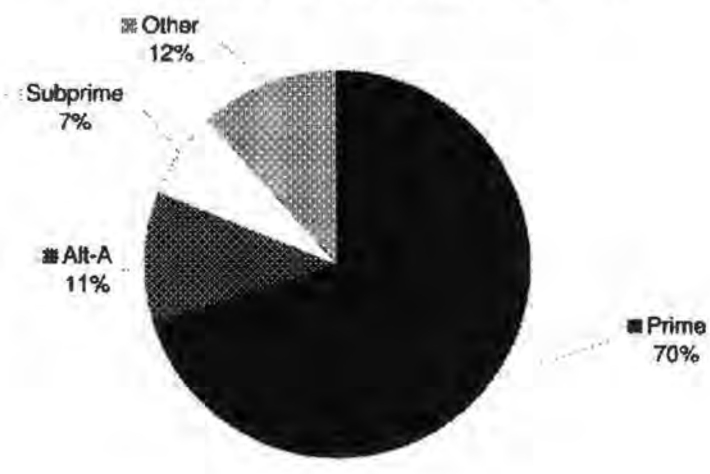
At the end of the third quarter of 2011, the servicing portfolio included 32.4 million loans with $5.6 trillion in unpaid balances (see table 6). The composition was stable with 70 percent prime, 11 percent Alt-A, 7 percent subprime, and 12 percent other loans (see figure 1).

Table 6. **Overall Mortgage Portfolio**

	9/30/10	12/31/10	3/30/11	6/30/11	9/30/11
Total Servicing (Millions)	$5,820,521	$5,729,421	$5,686,103	$5,682,951	$5,598,368
Total Servicing (Number of Loans)	33,341,642	32,867,917	32,713,033	32,769,737	32,434,997
Composition (Percentage of All Mortgages in the Portfolio)					
Prime	69%	69%	70%	70%	70%
Alt-A	11%	11%	11%	11%	11%
Subprime	8%	8%	7%	8%	7%
Other	13%	12%	12%	12%	12%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	23,018,251	22,831,966	22,804,671	22,904,910	22,765,207
Alt-A	3,591,171	3,533,524	3,505,201	3,522,896	3,499,907
Subprime	2,550,698	2,471,207	2,418,112	2,476,801	2,426,056
Other	4,181,522	4,031,220	3,985,049	3,865,130	3,743,827

Figure 1. **Portfolio Composition**

Percentage of All Mortgage Loans in the Portfolio



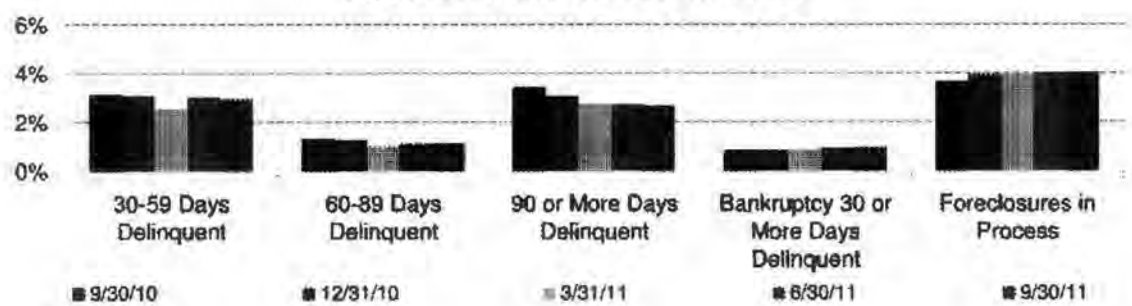
Overall Mortgage Performance

The overall performance of the portfolio of mortgages serviced by reporting banks and thrift remained almost unchanged from the previous quarter. The percentage of mortgages that were current and performing was almost unchanged at 88.0 percent from the previous quarter but improved from 87.5 percent a year earlier (see table 7). The percentages of mortgages that were 30 to 59 days delinquent and those that were seriously delinquent (loans 60 or more days delinquent or in bankruptcy and 30 or more days past due) were unchanged from the previous quarter, but down from a year earlier. The percentage of foreclosures in process increased to 4.1 percent from 4.0 percent the previous quarter and 3.7 percent a year earlier.

***Table 7.* Overall Portfolio Performance**

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
(Percentage of Mortgages in the Portfolio)							
Current and Performing	87.5%	87.6%	88.6%	88.1%	88.0%	0.0%	0.7%
30–59 Days Delinquent	3.2%	3.1%	2.6%	3.0%	3.0%	-1.4%	-5.6%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.3%	1.3%	1.0%	1.1%	1.2%	4.5%	-10.9%
90 or More Days Delinquent	3.5%	3.1%	2.8%	2.8%	2.7%	-2.8%	-22.1%
Bankruptcy 30 or More Days Delinquent	0.9%	0.9%	0.9%	1.0%	1.0%	3.2%	15.0%
Subtotal for Seriously Delinquent	**5.7%**	**5.3%**	**4.8%**	**4.9%**	**4.9%**	**0.1%**	**-13.5%**
Foreclosures in Process	3.7%	4.0%	4.0%	4.0%	4.1%	1.6%	10.6%
(Number of Mortgages in the Portfolio)							
Current and Performing	29,158,524	28,794,279	28,991,538	28,853,845	28,650,780	-1.1%	-2.1%
30–59 Days Delinquent	1,059,897	1,020,763	853,484	996,859	972,715	-2.4%	-8.2%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	443,902	428,103	340,258	371,716	384,638	3.5%	-13.4%
90 or More Days Delinquent	1,156,346	1,020,997	920,363	910,183	875,943	-3.8%	-24.2%
Bankruptcy 30 or More Days Delinquent	289,454	291,313	298,633	317,147	323,844	2.1%	11.9%
Subtotal for Seriously Delinquent	**1,889,704**	**1,740,413**	**1,559,254**	**1,599,046**	**1,584,425**	**-0.9%**	**-16.2%**
Foreclosures in Process	1,233,717	1,312,462	1,308,757	1,319,987	1,327,077	0.5%	7.6%

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



Performance of Mortgages Held by Reporting Banks and Thrift

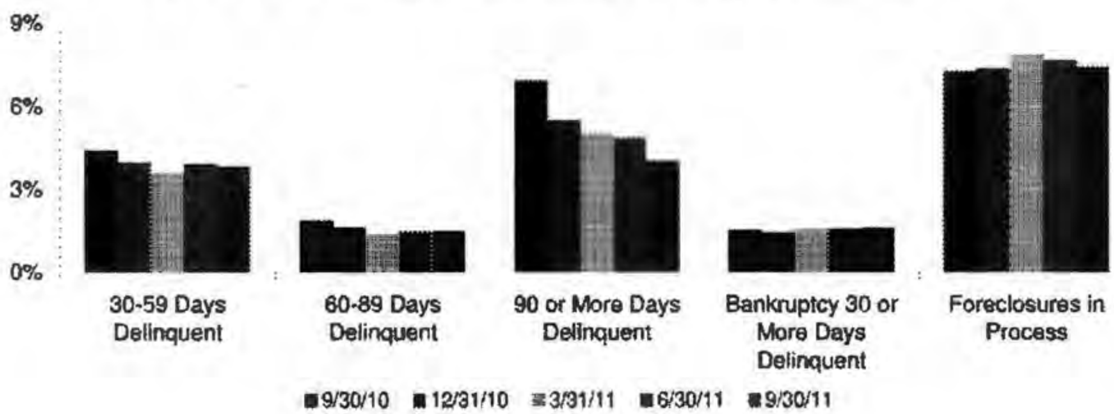
The performance of mortgages held by the reporting banks and thrift improved in the third quarter of 2011 (see table 8). The percentage of these mortgages that were current at the end of the quarter increased to 81.4 percent from 80.3 percent during the previous quarter and 77.9 percent a year earlier. The percentage of these mortgages that were 30 to 59 days delinquent decreased to 3.8 percent from 4.0 percent in the previous quarter and 4.4 percent a year earlier. The percentage of these mortgages that were seriously delinquent decreased to 7.2 percent from 8.0 percent the previous quarter and 10.4 percent a year earlier. The percentage of these mortgages in the process of foreclosure decreased to 7.5 percent from 7.7 in percent the previous quarter but increased from 7.3 percent a year earlier. The reporting banks and federal savings associations held 7.2 percent of the loans in this report.[2] Because more of these loans tended to be nonconforming with increased risk characteristics and geographic concentration in weaker real estate markets, these mortgages performed worse than mortgages serviced for others.

Table 8. Performance of Mortgages Held by Reporting Banks and Thrift (Percentage)*							
	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Current and Performing	77.9%	79.9%	80.4%	80.3%	81.4%	1.4%	4.5%
30–59 Days Delinquent	4.4%	4.0%	3.6%	4.0%	3.8%	-3.0%	-12.9%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.9%	1.7%	1.4%	1.5%	1.5%	0.4%	-18.9%
90 or More Days Delinquent	7.0%	5.5%	5.1%	4.9%	4.1%	-16.9%	-41.7%
Bankruptcy 30 or More Days Delinquent	1.5%	1.5%	1.6%	1.6%	1.7%	2.2%	7.5%
Subtotal for Seriously Delinquent	10.4%	8.7%	8.0%	8.0%	7.2%	-9.8%	-30.3%
Foreclosures in Process	7.3%	7.4%	7.9%	7.7%	7.5%	-3.1%	2.6%
Performance of Mortgages Held by Reporting Banks and Thrift (Number)							
Current and Performing	1,940,418	1,984,871	1,899,830	1,870,686	1,909,527	2.1%	-1.6%
30–59 Days Delinquent	109,863	99,163	86,162	92,254	90,053	-2.4%	-18.0%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	46,735	41,437	33,286	35,294	35,678	1.1%	-23.7%
90 or More Days Delinquent	173,504	137,620	119,884	113,916	95,298	-16.3%	-45.1%
Bankruptcy 30 or More Days Delinquent	38,328	36,228	36,970	37,723	38,808	2.9%	1.3%
Subtotal for Seriously Delinquent	256,567	215,285	190,140	186,933	169,784	-9.2%	-34.3%
Foreclosures in Process	182,292	184,046	187,204	180,587	176,048	-2.5%	-3.4%

*The data in this table exclude government-guaranteed mortgages owned and held by the reporting institutions.

[2] The *OCC and OTS Mortgage Metrics Report* for the first quarter of 2011 incorrectly identified the percentage of the portfolio held by national banks and thrift as 14.5 percent.

Figure 3. **Performance of Mortgages Held by Reporting Banks and Thrift**



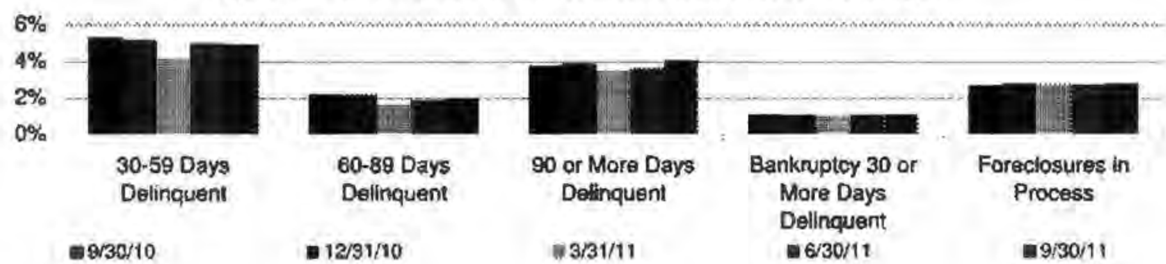
Performance of Government-Guaranteed Mortgages

The performance of government-guaranteed mortgages declined in the third quarter (see table 9). The percentage of these loans that were current and performing decreased to 85.2 percent from 85.7 percent in the previous quarter but improved from 85.1 percent a year earlier. The percentage that were 30 to 59 days delinquent decreased to 4.9 percent from 5.0 percent in the previous quarter and 5.3 percent a year earlier. Serious delinquencies increased to 7.1 percent from 6.6 percent during the previous quarter and 7.0 percent a year earlier. The percentage in the process of foreclosure increased to 2.8 percent from 2.7 percent the previous quarter and 2.7 percent a year earlier. Government-guaranteed mortgages represent more than 21 percent of the portfolio compared with 19 percent a year earlier. Almost 80 percent of these loans were FHA loans, 15 percent were VA loans, and 5 percent were other government-guaranteed mortgages. Almost 86 percent were in pools of loans backing Ginnie Mae securities.

Table 9. Performance of Government-Guaranteed Mortgages (Percentage)

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Current and Performing	85.1%	85.0%	87.0%	85.7%	85.2%	-0.6%	0.1%
30–59 Days Delinquent	5.3%	5.2%	4.1%	5.0%	4.9%	-1.0%	-6.3%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	2.2%	2.2%	1.6%	1.9%	2.0%	5.9%	-8.9%
90 or More Days Delinquent	3.7%	3.8%	3.5%	3.6%	4.1%	11.2%	8.3%
Bankruptcy 30 or More Days Delinquent	1.0%	1.0%	1.0%	1.1%	1.1%	0.1%	1.0%
Subtotal for Seriously Delinquent	**7.0%**	**7.0%**	**6.1%**	**6.6%**	**7.1%**	**7.9%**	**1.8%**
Foreclosures in Process	2.7%	2.8%	2.8%	2.7%	2.8%	0.9%	3.5%
Performance of Government-Guaranteed Mortgages (Number)							
Current and Performing	5,344,888	5,483,548	5,743,866	5,826,732	5,914,032	1.5%	10.7%
30–59 Days Delinquent	330,323	332,322	272,272	338,346	342,104	1.1%	3.6%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	135,607	139,545	106,493	126,264	136,485	8.1%	0.6%
90 or More Days Delinquent	235,060	248,171	229,401	247,804	281,264	13.5%	19.7%
Bankruptcy 30 or More Days Delinquent	65,756	66,779	67,748	71,810	73,375	2.2%	11.6%
Subtotal for Seriously Delinquent	**436,423**	**454,495**	**403,642**	**445,878**	**491,124**	**10.1%**	**12.5%**
Foreclosures in Process	167,062	178,177	182,041	185,423	191,055	3.0%	14.4%

Figure 4. **Performance of Government-Guaranteed Mortgages**



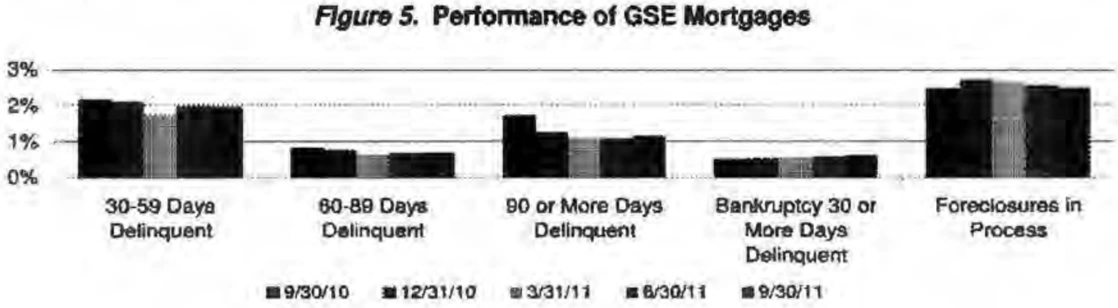
Performance of GSE Mortgages

GSE mortgages perform better than the overall portfolio because they contain more prime loans. The percentage of GSE mortgages that were current and performing was 93.1 percent at the end of the quarter, unchanged from the previous quarter and up from 92.3 percent a year earlier (see table 10). The percentage of GSE mortgages that were 30 to 59 days delinquent was also unchanged from the previous quarter at 2.0 percent and down from 2.2 percent a year earlier. The percentage of GSE mortgages that were seriously delinquent increased to 2.5 percent from 2.3 percent in the previous quarter, but decreased from 3.1 percent a year earlier. The percentage of these loans in the process of foreclosure decreased to 2.5 percent from 2.6 percent during the previous quarter and was unchanged from a year earlier. GSE mortgages made up 60 percent of the overall portfolio. Of the GSE mortgages, 58 percent were serviced for Fannie Mae and 42 percent were serviced for Freddie Mac.

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

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Current and Performing	92.3%	92.6%	93.2%	93.1%	93.1%	0.0%	0.9%
30–59 Days Delinquent	2.2%	2.1%	1.8%	2.0%	2.0%	-2.5%	-9.7%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	0.8%	0.8%	0.6%	0.7%	0.7%	3.3%	-17.4%
90 or More Days Delinquent	1.7%	1.3%	1.1%	1.1%	1.2%	7.9%	-32.4%
Bankruptcy 30 or More Days Delinquent	0.5%	0.5%	0.6%	0.6%	0.6%	2.3%	17.5%
Subtotal for Seriously Delinquent	3.1%	2.6%	2.3%	2.3%	2.5%	5.2%	-20.1%
Foreclosures in Process	2.5%	2.7%	2.7%	2.6%	2.5%	-2.7%	1.1%
Performance of GSE Mortgages (Number)							
Current and Performing	18,877,065	18,451,984	18,538,136	18,351,602	18,011,620	-1.9%	-4.6%
30–59 Days Delinquent	444,431	418,299	350,152	396,676	379,596	-4.3%	-14.6%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	171,065	156,855	127,382	131,893	133,734	1.4%	-21.8%
90 or More Days Delinquent	356,227	251,808	225,932	214,901	227,679	5.9%	-36.1%
Bankruptcy 30 or More Days Delinquent	104,146	106,307	109,606	115,307	115,758	0.4%	11.1%
Subtotal for Seriously Delinquent	631,438	514,779	462,920	462,101	477,171	3.3%	-24.4%
Foreclosures in Process	507,214	541,698	529,993	507,913	484,871	-4.5%	-4.4%

Figure 5. **Performance of GSE Mortgages**



Seriously Delinquent Mortgages, by Risk Category

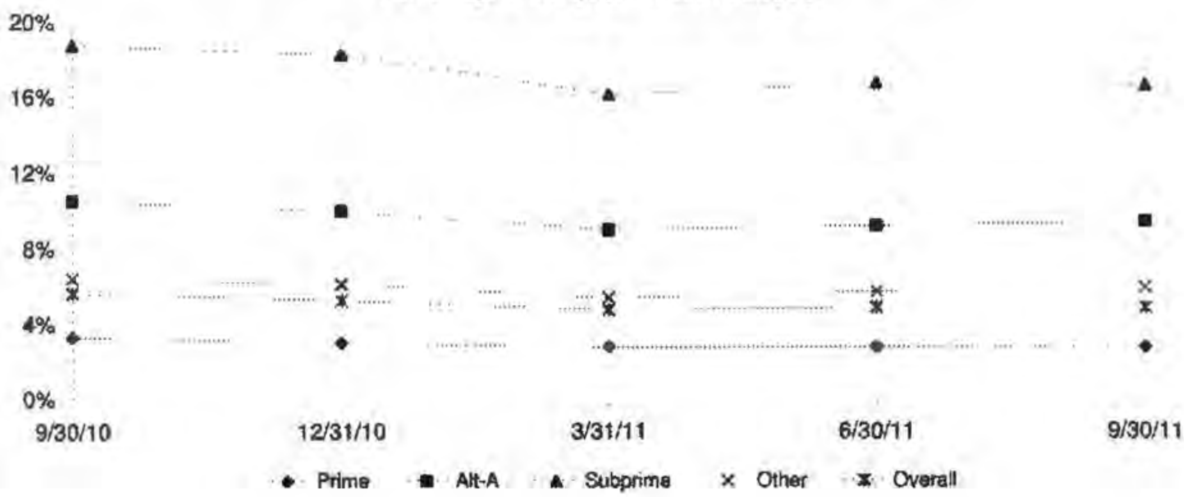
The portfolio contained 305,279 fewer seriously delinquent loans at the end of the third quarter of 2011 compared with a year earlier—a 16.2 percent decrease in the number of seriously delinquent mortgages (see table 11). Prime and subprime loans recorded slight decreases in seriously delinquent loans during the third quarter, while serious delinquencies increased for Alt A and other mortgages.

Table 11. **Seriously Delinquent Mortgages, by Risk Category**

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	3.3%	3.0%	2.8%	2.8%	2.7%	-0.8%	-17.1%
Alt-A	10.5%	10.0%	9.0%	9.2%	9.5%	2.4%	-10.4%
Subprime	18.8%	18.3%	16.2%	16.8%	16.7%	-0.7%	-11.1%
Other	6.4%	6.1%	5.4%	5.8%	6.0%	3.5%	-7.5%
Overall	5.7%	5.3%	4.8%	4.9%	4.9%	0.1%	-13.8%
(Number of Mortgages in Each Category)							
Prime	762,437	685,967	635,769	634,950	625,338	-1.5%	-18.0%
Alt-A	378,861	354,392	316,184	325,337	330,978	1.7%	-12.6%
Subprime	478,948	452,231	391,507	416,316	405,043	-2.7%	-15.4%
Other	269,458	247,823	215,794	222,443	223,068	0.3%	-17.2%
Total	1,889,704	1,740,413	1,559,254	1,599,046	1,584,425	-0.9%	-16.2%

Figure 6. **Seriously Delinquent Mortgages, by Risk Category**

Percentage of Mortgages in Each Category



Mortgages 30 to 59 Days Delinquent, by Risk Category

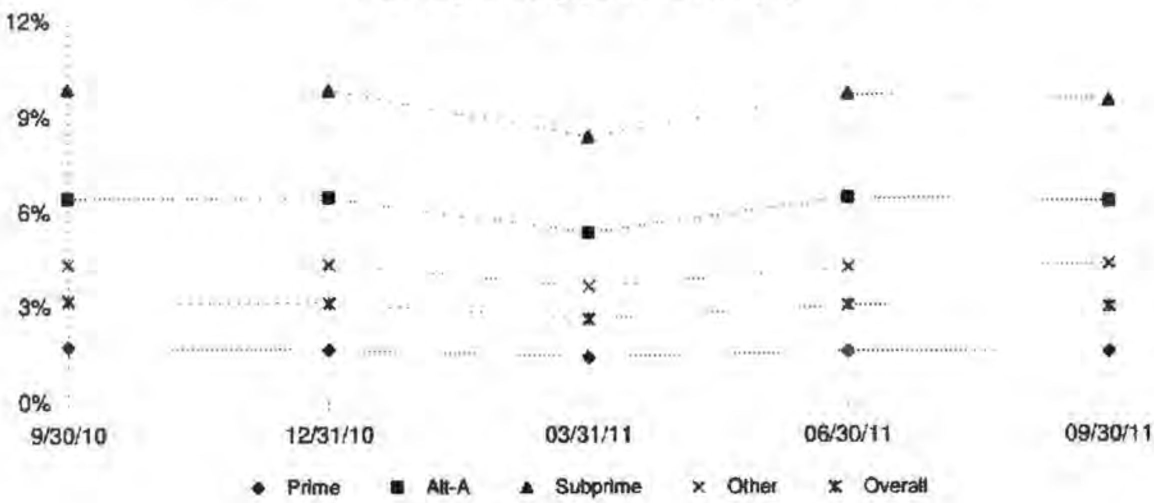
The servicing portfolio contained 86,982 fewer loans that were 30 to 59 days delinquent at the end of the third quarter of 2011 than a year earlier—an 8.2 percent decrease (see table 12). Overall, 3.0 percent of the total portfolio was 30 to 59 days delinquent at the end of the quarter—unchanged from the previous quarter but down from 3.2 percent a year earlier.

Table 12. Mortgages 30 to 59 Days Delinquent, by Risk Category

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	1.7%	1.6%	1.4%	1.6%	1.6%	-1.5%	-9.2%
Alt-A	6.4%	6.5%	5.4%	6.5%	6.3%	-1.9%	-1.3%
Subprime	9.9%	9.9%	8.4%	9.8%	9.6%	-2.1%	-3.1%
Other	4.3%	4.3%	3.6%	4.3%	4.4%	2.5%	0.8%
Overall	3.2%	3.1%	2.6%	3.0%	3.0%	-1.4%	-5.6%
(Number of Mortgages in Each Category)							
Prime	395,789	374,158	318,045	362,953	355,420	-2.1%	-10.2%
Alt-A	230,740	227,966	187,606	227,621	221,929	-2.5%	3.8%
Subprime	251,604	243,744	202,835	241,588	231,782	-4.1%	-7.9%
Other	181,564	174,895	144,998	164,697	163,584	-0.7%	-9.9%
Total	1,059,697	1,020,763	853,484	996,859	972,715	-2.4%	-8.2%

Figure 7. **Mortgages 30 to 59 Days Delinquent, by Risk Category**

Percentage of Mortgages in Each Category



PART II: Home Retention Actions

Home retention actions include loan modifications, in which servicers modify one or more mortgage contract terms; trial-period plans, in which the loans will be converted to modifications upon successful underwriting and completion of the trial periods; and payment plans, in which no terms are contractually modified, but borrowers are given time to catch up on missed payments. All of these actions can help the borrower become current on the loan, attain payment sustainability, and retain the home.

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

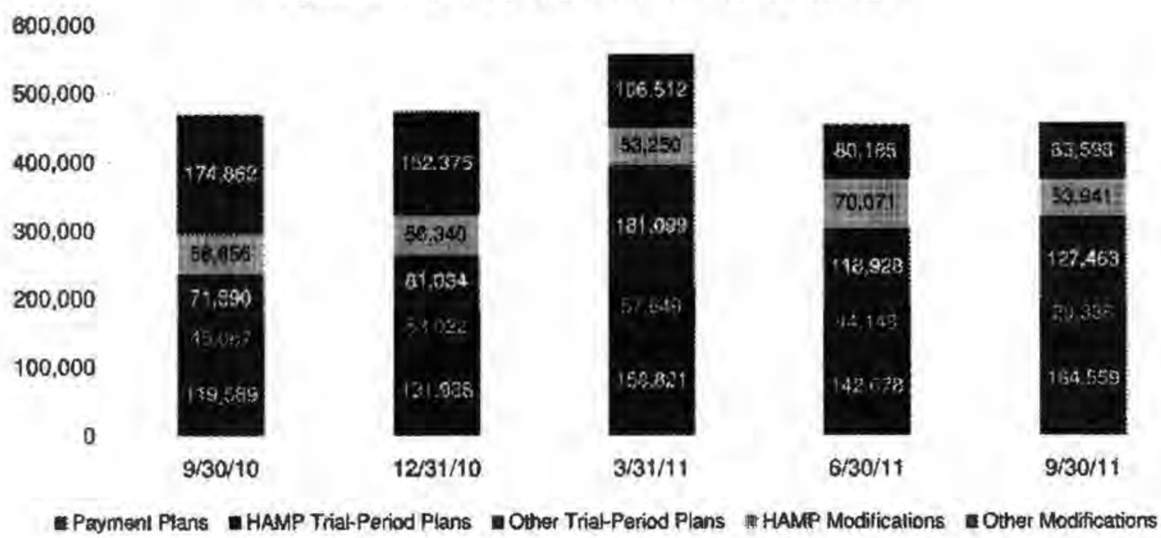
New Home Retention Actions

Servicers implemented 458,899 new home retention actions—loan modifications, trial-period plans, and payment plans—during the third quarter of 2011 (see table 13). The number of home retention actions increased slightly from the previous quarter but decreased by 2.4 percent from a year earlier. Servicers implemented 137,539 modifications during the quarter—down 8.5 percent from the previous quarter. New HAMP modifications decreased 23.0 percent to 53,941 during the quarter. The decrease in HAMP modifications was partially offset by the 4.3 percent increase in other modifications during the quarter. Servicers implemented 156,801 new trial-period plans—a 3.9 percent decrease from the previous quarter. Payment plans increased by 15.3 percent during the third quarter to 164,559. During the past five quarters, servicers initiated more than 2.4 million home retention actions—889,990 modifications, 809,658 trial-period plans, and 717,635 payment plans.

Table 13. Number of New Home Retention Actions

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Other Modifications	174,862	152,375	106,512	80,185	83,598	4.3%	-52.2%
HAMP Modifications	58,856	56,340	53,250	70,071	53,941	-23.0%	-8.4%
Other Trial-Period Plans	71,890	81,034	181,099	118,928	127,463	7.2%	77.3%
HAMP Trial-Period Plans	45,067	53,022	57,849	44,148	29,338	-33.5%	-34.9%
Payment Plans	119,589	131,988	158,821	142,678	164,559	15.3%	37.6%
Total	470,284	474,759	557,391	456,010	458,899	0.6%	-2.4%

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



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

Servicers implemented 53,941 HAMP modifications during the third quarter of 2011—down 23.0 percent from the previous quarter (see table 13). About 44 percent of HAMP modifications made during the quarter went to mortgages serviced for GSEs. Prime mortgages represented 70 percent of the total portfolio and received 52.3 percent of all HAMP modifications, while subprime loans represented 7 percent of the total portfolio and received 19.9 percent of HAMP modifications during the quarter.

Table 14. HAMP Modifications, by Investor and Risk Category
(Modifications Implemented in the Third Quarter of 2011)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	7,910	6,700	120	5,979	7,487	28,196
Alt-A	2,352	1,928	144	2,736	3,326	10,486
Subprime	1,389	988	136	3,301	4,895	10,709
Other	1,715	760	58	731	1,286	4,550
Total	13,366	10,376	458	12,747	16,994	53,941

Servicers implemented 29,388 new HAMP trial-period plans during the quarter, a decrease of 33.4 percent from the 44,148 HAMP trial plans initiated in the previous quarter (see table 15). Prime mortgages received 53.0 percent of the HAMP trial-period plans implemented during the quarter. Alt-A and subprime mortgages received 37.6 percent of the HAMP trial plans implemented during the quarter. GSE mortgages received more than 47 percent of HAMP trial-period plans initiated during the quarter.

Table 15. HAMP Trial-Period Plans, by Investor and Risk Category
(Trial-Period Plans Implemented in the Third Quarter of 2011)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	4,518	3,986	66	2,753	4,217	15,540
Alt-A	1,310	1,112	74	1,173	1,699	5,368
Subprime	793	547	88	1,264	2,972	5,664
Other	1,041	498	41	358	828	2,766
Total	7,662	6,143	269	5,548	9,716	29,338

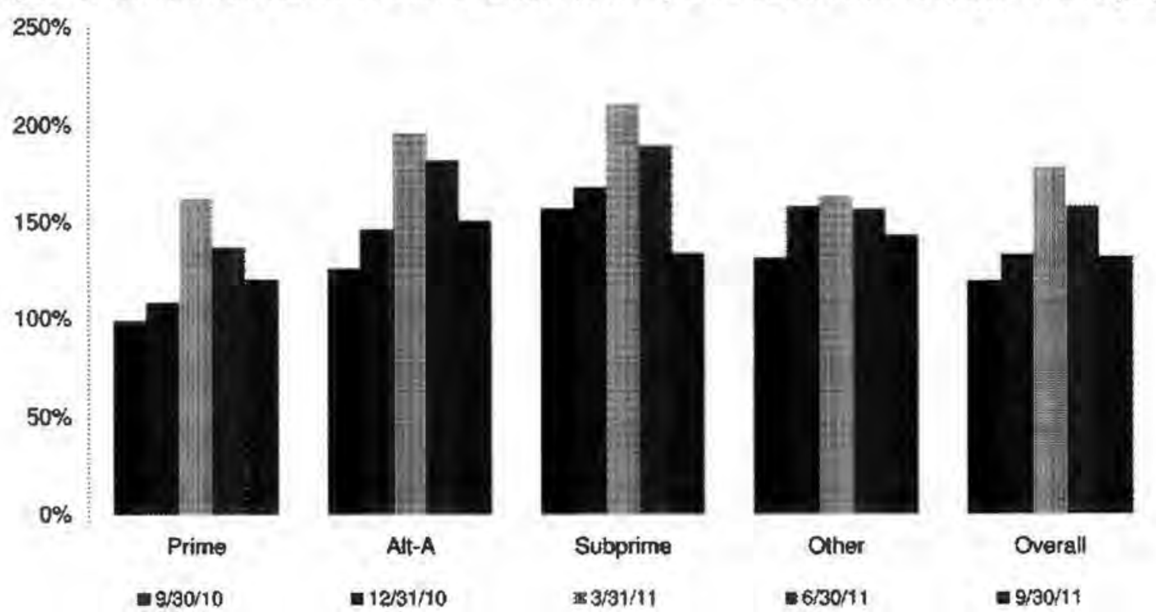
New Home Retention Actions Relative to Newly Initiated Foreclosures

The ratio of newly initiated home retention actions to newly initiated foreclosure actions decreased during the third quarter. While new home retention actions increased 0.6 percent during the quarter, newly initiated foreclosure actions increased 21.1 percent (see table 16). Servicers continued to implement significantly more new home retention actions than new foreclosures overall.

Table 16. **Percentage of New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category**

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Prime	98.6%	108.2%	161.8%	137.2%	120.2%	-12.4%	21.8%
Alt-A	125.7%	146.3%	196.3%	182.3%	150.7%	-17.4%	19.9%
Subprime	157.1%	168.2%	211.3%	189.6%	133.7%	-29.5%	-14.9%
Other	131.1%	158.5%	163.9%	156.9%	143.5%	-8.5%	9.5%
Overall	119.3%	133.4%	178.5%	158.8%	132.0%	-16.9%	10.7%
Number of New Home Retention Actions	470,284	474,759	557,331	456,010	458,899	0.6%	-2.4%
Number of Newly Initiated Foreclosures	394,356	355,945	312,235	287,162	347,726	21.1%	-11.8%

Figure 9. **New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category**



Types of Modification Actions

The types of modification actions or combinations of actions have different effects on the borrowers' mortgages and their monthly principal and interest payments. Different actions may, over time, have different effects on the long-term sustainability of mortgages. Servicers often use a combination of actions when modifying mortgages, with more than 94 percent of modifications implemented during the third quarter of 2011 changing more than one of the original loan terms (see table 47 in appendix D).

Servicers capitalized missed fees and payments in 88.5 percent of modifications made during the third quarter, reduced interest rates in 77.5 percent of the modified mortgages, and extended the loan maturity in 57.8 percent (see table 17). Servicers deferred repayment of some portion of the principal balance in 20.5 percent of modifications made during the quarter, while the percentage of modifications that included principal reduction increased to 7.8 percent. Because most modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total modifications. Appendix D presents additional detail on combination modifications.

Table 17. Changes in Loan Terms for Modifications Made During the Third Quarter of 2011

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
(Percentage of Total Modifications in Each Category)							
Capitalization	87.6%	91.6%	86.9%	90.8%	88.5%	-2.6%	1.0%
Rate Reduction	86.5%	84.2%	82.6%	79.5%	77.5%	-2.4%	-10.3%
Rate Freeze	1.9%	2.4%	2.0%	2.1%	4.6%	115.4%	140.8%
Term Extension	57.6%	56.1%	58.1%	61.1%	57.8%	-5.4%	0.4%
Principal Reduction	5.7%	2.7%	2.8%	5.8%	7.8%	35.5%	36.6%
Principal Deferral	10.1%	9.0%	11.2%	18.6%	20.5%	9.8%	101.9%
Not Reported*	0.7%	1.1%	2.9%	1.7%	1.0%	-43.0%	38.2%
(Number of Changes in Each Category)							
Capitalization	204,724	191,132	138,850	136,398	121,662	-10.8%	-40.6%
Rate Reduction	202,057	175,679	131,963	119,422	106,651	-10.7%	-47.2%
Rate Freeze	4,465	5,026	3,142	3,209	6,328	97.2%	41.7%
Term Extension	134,645	117,058	92,776	91,880	79,596	-13.4%	-40.9%
Principal Reduction	13,340	5,696	4,426	8,645	10,722	24.0%	-19.6%
Principal Deferral	23,677	18,836	17,958	27,989	28,183	0.5%	18.8%
Not Reported*	1,654	2,373	4,698	2,579	1,345	-47.8%	-18.7%

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

Types of HAMP Modification Actions

HAMP modifications follow a prescribed series of actions to attain a targeted monthly mortgage payment. Consistent with modification actions overall and the prescribed order of actions required by HAMP, HAMP modifications most often included capitalization of missed payments and fees, interest-rate reductions, and term extensions. Servicers used principal deferral, another prescribed action in the HAMP hierarchy, in 34.9 percent of HAMP modifications during the third quarter of 2011 compared with 33.0 percent in the previous quarter. Principal reduction was used in 10.2 percent of all HAMP modifications implemented during the quarter, almost twice the level in the previous quarter (see table 18).

Table 18. Changes in Loan Terms for HAMP Modifications During the Third Quarter of 2011

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
(Percentage of Total Modifications in Each Category)							
Capitalization	95.6%	96.5%	96.5%	97.8%	93.7%	-4.2%	-2.0%
Rate Reduction	96.2%	87.9%	94.4%	84.3%	86.8%	3.0%	-9.8%
Rate Freeze	0.1%	0.2%	0.3%	0.2%	2.2%	992.7%	1459.1%
Term Extension	56.0%	48.7%	53.4%	53.7%	48.4%	-9.8%	-13.6%
Principal Reduction	10.2%	7.4%	5.5%	5.5%	10.2%	86.1%	0.2%
Principal Deferral	24.6%	22.5%	23.6%	33.0%	34.9%	5.9%	41.8%
Not Reported*	0.3%	0.2%	0.2%	0.1%	0.2%	121.4%	-12.6%
(Number of Changes in Each Category)							
Capitalization	56,276	54,345	51,371	68,521	50,522	-26.3%	-10.2%
Rate Reduction	56,635	49,527	50,278	59,060	46,813	-20.7%	-17.3%
Rate Freeze	83	121	141	141	1,186	741.1%	1328.9%
Term Extension	32,976	27,448	28,413	37,642	26,123	-30.6%	-20.8%
Principal Reduction	6,009	4,197	2,906	3,853	5.520	43.3%	-8.1%
Principal Deferral	14,489	12,700	12,565	23,097	18,827	-18.5%	29.9%
Not Reported*	151	122	124	71	121	70.4%	-19.9%

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

Types of Modification Actions, by Risk Category

Servicers use a combination of actions when modifying mortgages, and no single action can be identified as the primary component of a successful modification. Modifications across all risk categories predominantly featured interest-rate reduction and term extension in addition to the capitalization of past-due interest and fees. Because most modifications changed more than one term, the sum of individual features changed exceeded the total number of modified loans in each risk category. The mix of capitalization, rate reduction, rate freeze, and term extension in modified mortgages did not differ significantly among prime, Alt-A, and subprime mortgages. Principal deferral was used most extensively in prime loans and principal reduction was used more in Alt-A and subprime loans (see table 19).

Table 19. **Changes in Loan Terms for Modifications, by Risk Category, in Third Quarter 2011**

(Percentage of Total Modifications in Each Category)	Prime	Alt-A	Subprime	Other	Overall
Capitalization	86.7%	89.5%	88.3%	93.4%	88.5%
Rate Reduction	78.1%	77.0%	75.9%	80.3%	77.5%
Rate Freeze	3.0%	4.2%	6.6%	6.7%	4.6%
Term Extension	59.5%	58.1%	52.0%	64.3%	57.8%
Principal Reduction	5.5%	8.7%	12.3%	4.6%	7.8%
Principal Deferral	26.0%	19.3%	15.3%	13.0%	20.5%
Not Reported*	1.0%	0.8%	0.7%	1.7%	1.0%
(Number of Changes in Each Category)					
Total Mortgages Modified	58,858	28,169	35,177	15,335	137,539
Capitalization	51,055	25,210	31,075	14,322	121,662
Rate Reduction	45,944	21,696	26,699	12,312	106,651
Rate Freeze	1,774	1,191	2,328	1,035	6,328
Term Extension	35,016	16,361	18,293	9,866	79,536
Principal Reduction	3,233	2,462	4,326	701	10,722
Principal Deferral	15,330	5,425	5,387	1,991	28,133
Not Reported*	596	232	255	262	1,345

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

Types of Modification Actions, by Investor and Product Type

Modifications of mortgages serviced for the GSEs accounted for 36.3 percent of all modifications made during the quarter. Government-guaranteed loans received 16.6 percent of all modifications, mortgages serviced for private investors received 27.9 percent, and mortgages held in servicer portfolios received 19.2 percent of all third-quarter modifications (see table 20). Interest-rate reduction, term extension, and the capitalization of missed payments and fees remained the primary types of modification for all investors. Principal reduction was predominantly used for loans held in portfolio or serviced for private investors. Because modifications often change more than one loan term, the sum of the actions exceeded the number of modified loans for each investor.

Table 20. Type of Modification Action, by Investor and Product Type, in Third Quarter 2011
(Percentage of Total Modifications in Each Category)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	96.8%	99.1%	98.3%	85.3%	67.4%	88.5%
Rate Reduction	70.4%	74.0%	93.7%	71.5%	83.6%	77.5%
Rate Freeze	3.6%	7.6%	0.8%	5.8%	5.6%	4.6%
Term Extension	68.1%	69.5%	84.4%	24.2%	63.5%	57.8%
Principal Reduction	0.0%	0.0%	0.0%	15.3%	18.4%	7.8%
Principal Deferral	25.6%	18.2%	0.1%	23.0%	29.2%	20.5%
Not Reported*	0.6%	0.2%	0.7%	1.7%	1.2%	1.0%
(Number of Changes in Each Category)						
Total Mortgages Modified	33,698	16,251	22,841	38,313	26,436	137,539
Capitalization	32,625	16,100	22,463	32,667	17,807	121,662
Rate Reduction	23,736	12,023	21,404	27,392	22,096	106,651
Rate Freeze	1,226	1,233	178	2,205	1,483	6,325
Term Extension	22,951	11,291	19,267	9,253	16,774	79,536
Principal Reduction**	9	4	3	5,844	4,862	10,722
Principal Deferral	8,643	2,959	12	8,804	7,715	28,133
Not Reported	211	28	153	640	313	1,345

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

**Fannie Mae and Freddie Mac do not offer modifications that include principal reduction. The principal reduction actions reflected in this table represent coding errors to be corrected in subsequent reporting periods.

Types of HAMP Modification Actions, by Investor and Product Type

Of the 53,941 HAMP modifications implemented in the third quarter, 44.0 percent were on GSE mortgages, 31.5 percent were on mortgages serviced for private investors, and 23.6 percent were on mortgages held in servicers' portfolios (see table 21). Consistent with modification actions, the prevailing actions among HAMP modifications were capitalization of past-due interest and fees, interest-rate reduction, and term extension. Principal deferral was used in a significant number of HAMP modifications for all investors other than government-guaranteed loans. HAMP modifications with principal reduction were centered in loans held in portfolio.

Table 21. **Type of HAMP Modification Action, by Investor and Product Type, in Third Quarter 2011**

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
(Percentage of Total Modifications in Each Category)						
Capitalization	98.6%	99.0%	93.2%	93.5%	84.4%	93.7%
Rate Reduction	84.4%	92.7%	86.9%	84.9%	86.9%	86.8%
Rate Freeze	0.0%	0.0%	1.3%	4.3%	3.5%	2.2%
Term Extension	62.2%	64.8%	98.5%	10.8%	69.0%	48.4%
Principal Reduction	0.0%	0.0%	0.0%	7.4%	33.4%	10.2%
Principal Deferral	24.3%	27.1%	0.4%	37.0%	50.7%	34.9%
Not Reported	0.4%	0.1%	0.0%	0.0%	0.3%	0.2%
(Number of Changes in Each Category)						
Total Mortgages Modified	13,366	10,376	458	16,994	12,747	53,941
Capitalization	13,177	10,271	427	15,889	10,764	50,522
Rate Reduction	11,286	9,623	398	14,432	11,074	46,813
Rate Freeze	4	2	6	723	451	1,186
Term Extension	8,308	6,726	451	1,840	8,798	26,123
Principal Reduction*	4	1	0	1,254	4,261	5,520
Principal Deferral	3,250	2,817	2	6,290	6,468	18,827
Not Reported**	57	14	0	7	43	121

*Fannie Mae and Freddie Mac do not offer modifications that include principal reduction. The principal reduction actions reflected in this table represent coding errors to be corrected in subsequent reporting periods.

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

Changes in Monthly Payments Resulting From Modification

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

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

Mortgage modifications may increase monthly payments when borrowers and servicers agree to add past-due interest, advances for taxes or insurance, and other fees to the loan balances and re-amortize the new balances over the remaining life of the mortgages. The interest rate or maturity of the loans may be changed on these modifications but not enough to offset the increase in payments caused by the additional capitalized principal. Modifications may also result in increased monthly payments when interest rates or principal payments on adjustable rate mortgages and option ARMs are reset higher but by less than the amount indicated in the original mortgage contracts.

Modifications that increase payments may be appropriate when borrowers resolve temporary problems with cash flow, or otherwise have reasonable prospects of making higher payments to repay the debt over time. However, during periods of prolonged economic stress, this strategy carries additional risk, underscoring the importance of verifying borrowers' income and debt-payment ability so that borrowers and servicers have confidence that the modifications will be sustainable.

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

Changes in Monthly Payments Resulting From Modifications, by Quarter

More than 89 percent of modifications made in the third quarter reduced monthly principal and interest payments (see table 22). Almost 54 percent of the modifications reduced payments by 20 percent or more. More than 18 percent reduced payments between 10 percent and 20 percent, and another 17.5 percent reduced payments by less than 10 percent.

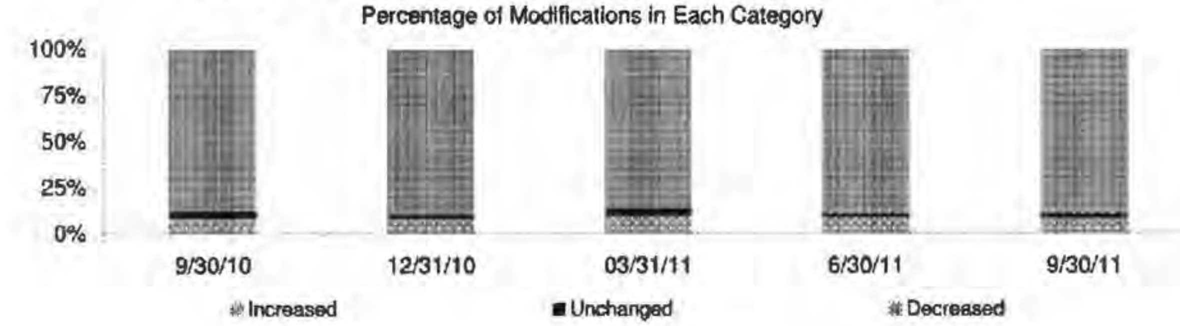
Table 22. Changes in Monthly Principal and Interest Payments Resulting From Modifications

(Percentage of Modifications in Each Category)*	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Decreased by 20% or More	54.1%	56.3%	47.3%	53.8%	53.6%	-0.5%	-1.0%
Decreased by 10% to Less Than 20%	18.0%	19.7%	18.4%	17.1%	18.3%	6.7%	1.7%
Decreased by Less Than 10%	16.0%	13.9%	20.8%	18.5%	17.5%	-5.1%	9.4%
Subtotal for Decreased	**88.1%**	**89.9%**	**86.5%**	**89.4%**	**89.4%**	**0.0%**	**1.4%**
Unchanged	3.7%	2.3%	4.0%	1.9%	2.4%	27.7%	-34.3%
Increased	8.2%	7.8%	9.5%	8.7%	8.2%	-5.6%	0.1%
Subtotal for Unchanged and Increased	**11.9%**	**10.1%**	**13.5%**	**10.6%**	**10.6%**	**0.4%**	**-10.6%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
(Number of Modifications in Each Category)							
Decreased by 20% or More	125,770	117,072	75,116	80,493	73,353	-8.9%	-41.7%
Decreased by 10% to Less Than 20%	41,819	40,974	29,310	25,642	25,055	-2.3%	-40.1%
Decreased by Less Than 10%	37,179	28,883	33,025	27,595	23,971	-13.1%	-35.5%
Subtotal for Decreased	**204,768**	**186,929**	**137,451**	**133,730**	**122,379**	**-8.5%**	**-40.2%**
Unchanged	8,610	4,817	6,289	2,852	3,335	16.9%	-61.3%
Increased	18,986	16,265	15,127	12,968	11,202	-13.6%	-41.0%
Subtotal for Unchanged and Increased	**27,596**	**21,082**	**21,416**	**15,820**	**14,537**	**-8.1%**	**-47.3%**
Total	232,364	208,011	158,867	149,550	136,916	-8.4%	-41.1%

*No payment change information was reported on 1,354 modifications in the third quarter of 2010, 704 in the fourth quarter of 2010, 895 in the first quarter of 2011, 706 in the second quarter of 2011, and 623 in the third quarter of 2011.

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

Percentage of Modifications in Each Category



Changes in Monthly Payments Resulting From HAMP Modifications, by Quarter

Nearly 99 percent of HAMP modifications made during the third quarter reduced borrower monthly payments, with 75.8 percent reducing payments by 20 percent or more (see table 23). In addition to achieving lower payments, HAMP attempts to increase payment sustainability by targeting monthly housing payments at 31 percent of borrowers' income. Performance data on all modifications showed that reduced monthly payments result in lower re-default rates over time and that the greater the decrease in payment, the lower the rate of re-default.

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

(Percentage of HAMP Modifications in Each Category)*,**

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Decreased by 20% or More	76.0%	77.3%	75.9%	77.1%	75.8%	-1.7%	-0.2%
Decreased by 10% to Less Than 20%	13.3%	12.0%	13.4%	13.1%	13.6%	3.5%	1.9%
Decreased by Less Than 10%	8.8%	7.5%	8.7%	8.6%	9.2%	7.1%	4.8%
Subtotal for Decreased	**98.1%**	**96.8%**	**98.0%**	**98.8%**	**98.6%**	**-0.2%**	**0.5%**
Unchanged	0.3%	1.1%	1.0%	0.2%	0.2%	1.9%	-34.8%
Increased	1.6%	2.1%	1.0%	1.0%	1.2%	23.8%	-25.5%
Subtotal for Unchanged and Increased	**1.9%**	**3.2%**	**2.0%**	**1.2%**	**1.4%**	**20.3%**	**-26.9%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
(Number of HAMP Modifications in Each Category)							
Decreased by 20% or More	44,555	43,338	40,321	53,941	40,756	-24.4%	-8.5%
Decreased by 10% to Less Than 20%	7,818	6,735	7,124	9,178	7,299	-20.5%	-6.6%
Decreased by Less Than 10%	5,159	4,187	4,604	6,024	4,957	-17.7%	-3.9%
Subtotal for Decreased	**57,532**	**54,260**	**52,049**	**69,143**	**53,012**	**-23.3%**	**-7.9%**
Unchanged	169	606	530	129	101	-21.7%	-40.2%
Increased	952	1,200	517	683	650	-4.8%	-31.7%
Subtotal for Unchanged and Increased	**1,121**	**1,806**	**1,047**	**812**	**751**	**-7.5%**	**-33.0%**
Total	58,653	56,066	53,096	69,955	53,763	-23.1%	-8.3%

*No payment change information was reported on 203 modifications in the third quarter of 2010, 274 in the fourth quarter of 2010, 154 in the first quarter of 2011, 116 in the second quarter of 2011, and 178 in the third quarter of 2011.

**Some HAMP modifications, like other modifications, may increase the borrowers' monthly principal and interest payments when loans with a previous interest-only or partial payment are modified to amortize the loans over their remaining terms, or when adjustable rate mortgages are reset to higher rates and payments but at lower rates than otherwise contractually required. While the principal and interest portion of the payment might increase, the total payment will reflect a housing expense ratio of 31 percent as specified by HAMP.

Average Change in Monthly Payments Resulting From Modifications, by Quarter

Modifications made during the third quarter of 2011 reduced monthly principal and interest payments by 24.4 percent on average, or $382 (see table 24). HAMP modifications made during the quarter reduced payments by 35.1 percent on average, or $567. Other modifications reduced borrower monthly payments by 17.5 percent on average, or $262 during the third quarter.

Table 24. Average Change in Monthly Payments Resulting From Modifications, by Quarter*

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
All Modifications							
Decreased by 20% or More	(629)	(610)	(634)	(667)	(646)	-3.2%	2.7%
Decreased by 10% to Less Than 20%	(186)	(186)	(184)	(187)	(192)	2.5%	2.2%
Decreased by Less Than 10%	(59)	(69)	(55)	(60)	(64)	6.8%	8.7%
Unchanged	0	0	0	0	0		
Increased**	132	134	122	106	128	21.1%	-2.9%
Overall	(373)	(379)	(324)	(393)	(382)	-2.8%	2.5%
Percentage Change	-24.6%	-25.5%	-21.6%	-25.1%	-24.4%		
Other Modifications							
Decreased by 20% or More	(576)	(543)	(566)	(592)	(576)	-2.6%	0.0%
Decreased by 10% to Less Than 20%	(181)	(178)	(171)	(170)	(181)	6.5%	-0.3%
Decreased by Less Than 10%	(55)	(67)	(50)	(55)	(61)	10.7%	9.8%
Unchanged	0	0	0	0	0		
Increased**	131	128	120	103	126	22.8%	-3.6%
Overall	(302)	(302)	(219)	(231)	(262)	13.4%	-13.0%
Percentage Change	-20.9%	-21.6%	-15.1%	-15.6%	-17.5%		
HAMP Modifications							
Decreased by 20% or More	(724)	(725)	(693)	(704)	(702)	-0.4%	-3.1%
Decreased by 10% to Less Than 20%	(217)	(223)	(222)	(219)	(219)	0.1%	1.2%
Decreased by Less Than 10%	(82)	(82)	(83)	(79)	(77)	-1.8%	-6.0%
Unchanged	0	0	0	0	0		
Increased**	149	213	164	158	158	-0.4%	
Overall	(584)	(588)	(582)	(577)	(567)	-1.8%	-2.9%
Percentage Change	-35.6%	-35.9%	-34.6%	-35.9%	-35.1%		

*Parentheses indicate that, on average, borrowers' monthly payments decreased by the amount enclosed within the parentheses.

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

B. Modified Loan Performance

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

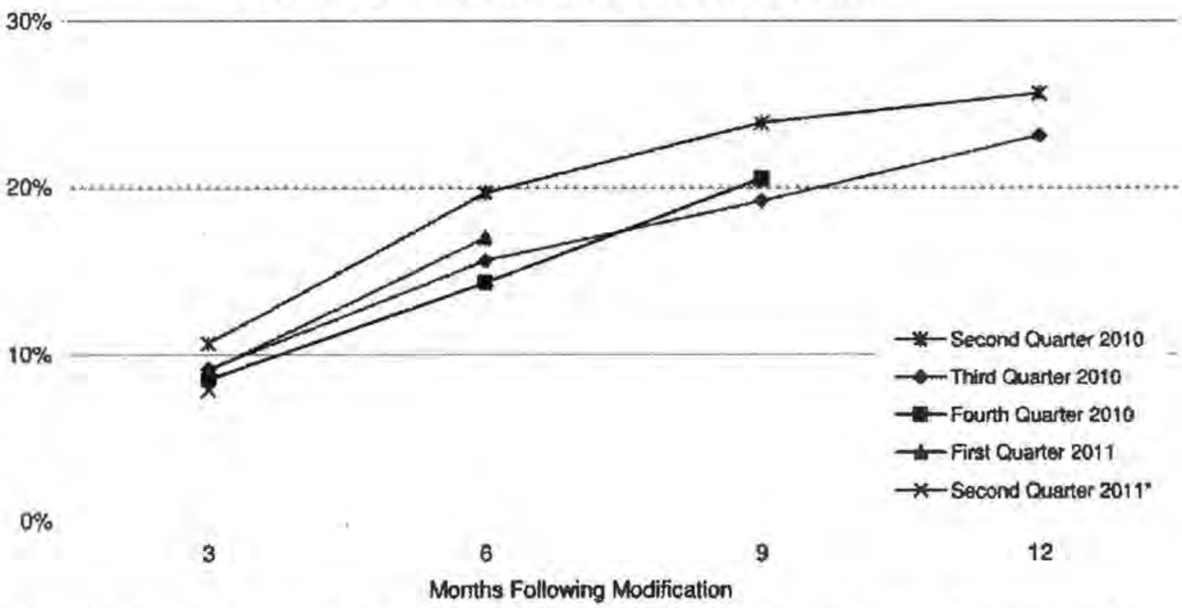
More recent modifications have generally performed better than earlier modifications, reflecting the ongoing emphasis on lower monthly payments and payment sustainability (see table 25). Modifications implemented during the second quarter of 2011 re-defaulted at a lower rate than any previous quarter when measured at three months subsequent to modification. After six months, modifications implemented during the first quarter of 2011 re-defaulted at a slightly higher rate than modifications implemented during either of the previous two quarters; a lesser percentage of first quarter 2011 modifications lowered monthly payments than did modifications in earlier quarters.

Table 25. Modified Loans 60 or More Days Delinquent

Modification Date*	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Second Quarter 2010	10.7%	19.7%	23.9%	25.7%
Third Quarter 2010	9.1%	15.7%	19.2%	23.1%
Fourth Quarter 2010	8.5%	14.3%	20.5%	--
First Quarter 2011	9.0%	17.0%	--	--
Second Quarter 2011	7.8%	--	--	--

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

Figure 11. Modified Loans 60 or More Days Delinquent



*The second quarter 2011 data is a single point (7.8 percent), and is obscured by the beginning of the trend line for the fourth quarter of 2010.

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

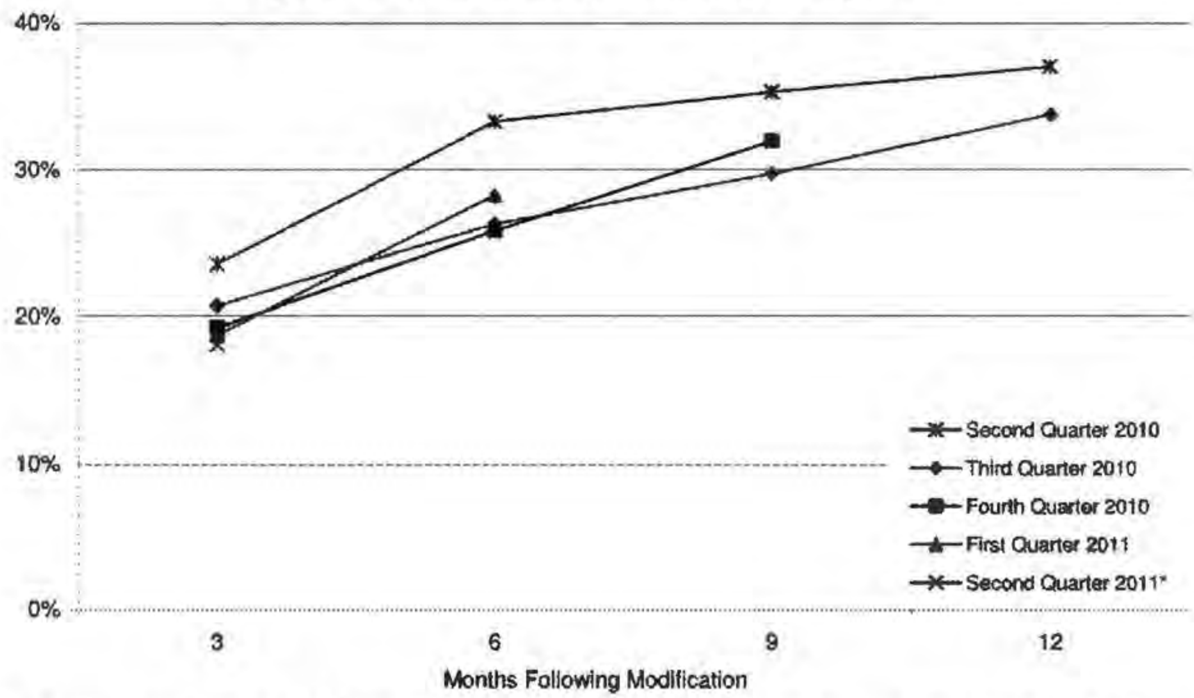
Re-default rates measured at 30 or more days delinquent provide an early indicator of mortgages that may need additional attention to prevent more serious delinquency or foreclosure. More recent modifications generally showed lower re-default rates than previous modifications as a result of the increased emphasis on lower monthly payments and payment sustainability. At three months after modification, modifications implemented during the second quarter of 2011 re-defaulted at a lower rate than modifications implemented during previous quarters. At six months, however, modifications implemented during the first quarter of 2011 defaulted at a higher rate than modifications implemented in the third and fourth quarters of 2010, as fewer first quarter 2011 modifications lowered monthly payments than modifications made in earlier quarters (see table 26).

Table 26. **Modified Loans 30 or More Days Delinquent**

Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Second Quarter 2010	23.5%	33.3%	35.3%	37.0%
Third Quarter 2010	20.7%	26.3%	29.7%	33.7%
Fourth Quarter 2010	19.2%	25.8%	31.9%	--
First Quarter 2011	18.7%	28.2%	--	--
Second Quarter 2011	18.1%	--	--	--

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

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



*The second quarter 2011 data is a single point (18.1 percent), and is obscured by the beginning of the trend line for the first quarter of 2011.

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

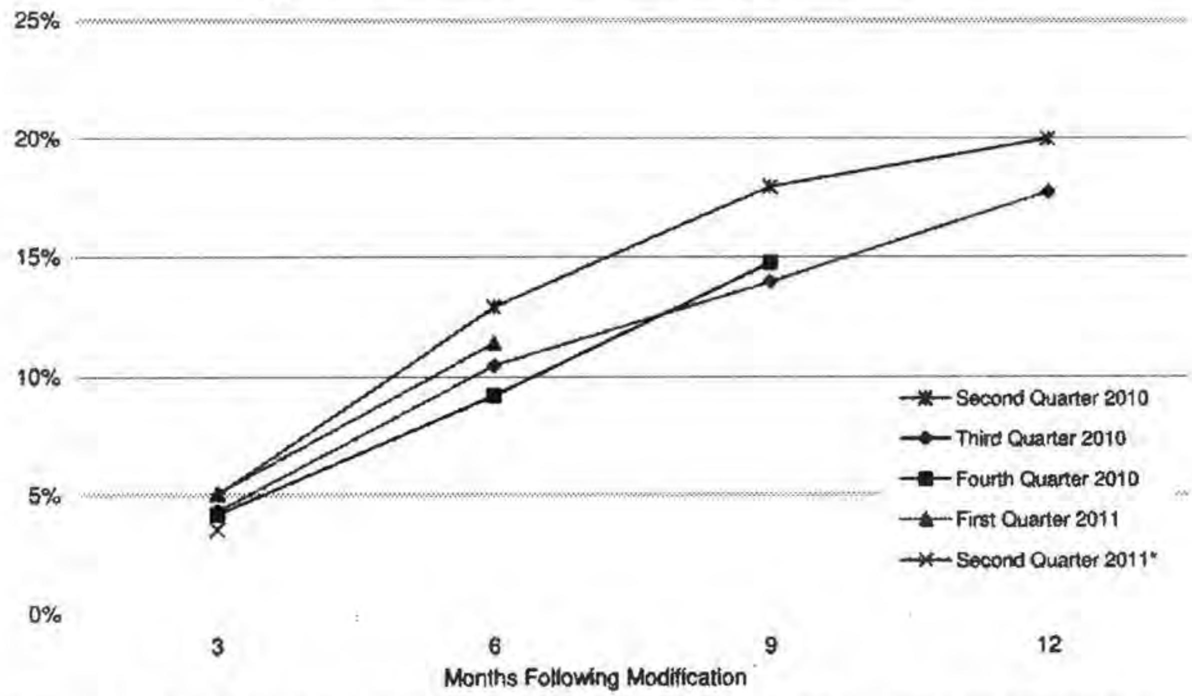
The percentage of modified mortgages that were 90 or more days delinquent after modification was naturally lower than shorter-term delinquency measures. As with other measures of modification sustainability, more recent modifications tended to outperform previous vintages of loan modifications at three months after modification (see table 27).

Table 27. **Modified Loans 90 or More Days Delinquent***

Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Second Quarter 2010	5.0%	12.9%	18.0%	20.0%
Third Quarter 2010	4.3%	10.5%	13.9%	17.7%
Fourth Quarter 2010	4.2%	9.2%	14.7%	--
First Quarter 2011	5.1%	11.4%	--	--
Second Quarter 2011	3.5%	--	--	--

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

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



*The second quarter 2011 data is a single point (7.8 percent), and is obscured by the beginning of the trend line for the fourth quarter of 2010.

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

Modifications on mortgages held in the servicers' own portfolios or serviced for the GSEs—Fannie Mae and Freddie Mac—performed better than modifications on mortgages serviced for others. These lower re-default rates for portfolio and GSE mortgages may reflect differences in modification programs and, for portfolio mortgages, additional flexibility to modify terms for greater sustainability. Re-default rates for government-guaranteed mortgages and loans serviced for private investors were highest over time, reflecting the higher risk associated with those mortgages. Consistent with trends shown elsewhere, recent vintages of modifications generally performed better than earlier modifications, reflecting the emphasis of modifications that significantly reduce borrower monthly payments.

Table 28. **Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2008**
(60 or More Days Delinquent)

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

Table 29. **Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2009**
(60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months after Modification	9 Months after Modification	12 Months After Modification
Fannie Mae	17.9%	31.3%	37.8%	41.1%
Freddie Mac	26.2%	36.5%	41.5%	43.9%
Government-Guaranteed	23.4%	42.2%	51.7%	55.5%
Private	28.0%	40.8%	46.8%	52.5%
Portfolio Loans	7.1%	15.3%	21.0%	24.6%
Overall	19.9%	32.2%	39.4%	43.0%

Table 30. **Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2010**
(60 or More Days Delinquent)*

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	9.7%	14.4%	18.2%	20.7%
Freddie Mac	7.4%	12.3%	15.6%	17.5%
Government-Guaranteed	12.4%	27.3%	36.0%	41.1%
Private	12.2%	19.9%	25.0%	29.0%
Portfolio Loans	6.6%	11.8%	15.7%	18.4%
Overall	10.0%	17.4%	22.4%	25.5%

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

Table 31. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2011
(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	7.7%	13.6%	--	--
Freddie Mac	5.8%	11.0%	--	--
Government-Guaranteed	11.1%	26.7%	--	--
Private	11.0%	20.3%	--	--
Portfolio Loans	4.4%	8.6%	--	--
Overall	8.4%	17.0%	--	--

*Data include all modifications implemented during 2011 that have aged the indicated number of months.

Performance of HAMP Modifications Compared With Other Modifications

HAMP modifications have performed better than other modifications implemented during the same periods. These lower post-modification delinquency rates reflect HAMP's emphasis on the affordability of monthly payments relative to the borrower's income, verification of income, and completion of a successful trial payment period (see table 32).

Table 32. Performance of HAMP Modifications Compared With Other Modifications

(60 or More Days Delinquent)*

	Number of Modifications	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
HAMP Second Quarter 2010	108,155	8.3%	13.3%	15.9%	17.3%
Other Second Quarter 2010	158,896	12.3%	24.0%	29.2%	31.4%
HAMP Third Quarter 2010	58,856	7.5%	11.5%	13.5%	16.5%
Other Third Quarter 2010	174,862	9.7%	17.1%	21.1%	25.4%
HAMP Fourth Quarter 2010	56,340	9.0%	11.2%	14.7%	--
Other Fourth Quarter 2010	152,375	8.3%	15.5%	22.7%	--
HAMP First Quarter 2011	53,250	5.8%	9.9%	--	--
Other First Quarter 2011	106,512	10.7%	20.7%	--	--
HAMP Second Quarter 2011	70,071	5.4%	--	--	--
Other Second Quarter 2011	80,185	10.0%	--	--	--

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

C. Modified Loan Performance, by Change in Monthly Payments

Modifications that reduce borrowers' monthly payments consistently show re-default rates lower than other modifications, and the larger the reduction in monthly payment, the lower the subsequent re-default rates. Lower recent re-default rates may also result from the increased emphasis of HAMP and other modification programs on lowering monthly payments relative to the borrower's income and ability to repay, as well as verification of income and completion of a successful trial period.

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

Re-Default Rates of Loans by Change in Payment

The following tables present re-default rates, measured as 60 or more days delinquent, for modifications made since January 1, 2008. Data show re-default rates decreased as reduction in monthly principal and interest payments increased. Re-default rates were lower for modifications made in 2009 than for modifications made in 2008. Re-default rates for modifications made in 2010 were lower than those made in the previous two years. Continuing this trend, modifications implemented during 2011 with greater payment reductions performed better than other modifications, and 2011 modifications performed better after three months than modifications from previous years, reflecting the continued emphasis on modifications with lower monthly payments.

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

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	15.8%	26.0%	33.3%	39.5%
Decreased by 10% to Less Than 20%	20.9%	33.1%	41.5%	48.2%
Decreased by Less Than 10%	24.0%	40.7%	50.2%	55.9%
Unchanged	47.4%	56.8%	62.5%	65.9%
Increased	35.4%	54.7%	63.8%	69.0%
Total	31.8%	45.2%	53.0%	58.1%

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

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	11.0%	19.1%	25.1%	28.4%
Decreased by 10% to Less Than 20%	15.8%	29.2%	37.3%	41.7%
Decreased by Less Than 10%	17.7%	33.9%	42.6%	46.7%
Unchanged	42.3%	50.1%	55.1%	57.4%
Increased	26.4%	46.4%	55.9%	59.7%
Total	19.8%	32.2%	39.4%	43.0%

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

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	7.3%	11.5%	15.0%	17.4%
Decreased by 10% to Less Than 20%	10.0%	19.8%	26.3%	30.1%
Decreased by Less Than 10%	13.5%	26.2%	33.5%	37.3%
Unchanged	17.5%	20.9%	23.8%	25.1%
Increased	18.3%	32.9%	40.4%	45.1%
Total	10.0%	17.4%	22.4%	25.5%

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

*Table 36.** Re-Default Rates of Loans Modified in 2011 by Change in Payment (60 or More Days Delinquent)*				
	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	5.9%	11.1%	--	--
Decreased by 10% to Less Than 20%	8.2%	18.3%	--	--
Decreased by Less Than 10%	10.3%	21.6%	--	--
Unchanged	9.4%	18.6%	--	--
Increased	18.6%	35.4%	--	--
Total	8.4%	17.0%	--	--

*Data include all modifications implemented during 2011 that have aged the indicated number of months.

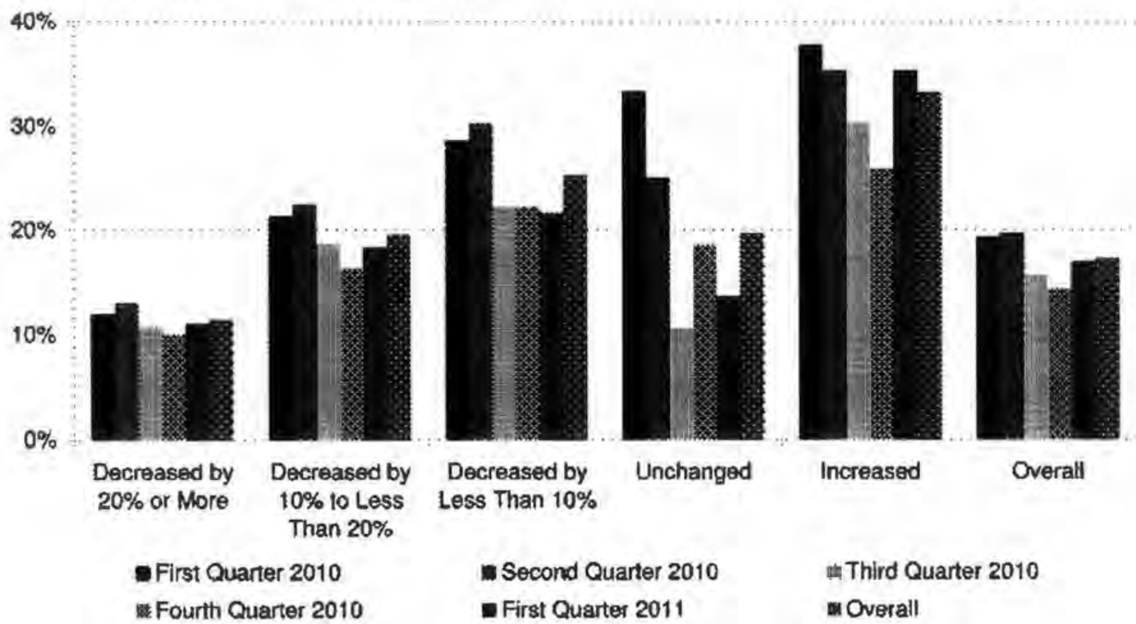
60+ Delinquency at 6 Months After Modification by Change in Monthly Payment

Modifications that significantly reduce monthly principal and interest payments consistently performed better than other modifications. Modifications with the greatest decrease in monthly payments consistently had the lowest re-default rates (see table 37). Modifications that result in no change to the borrowers' monthly payments generally have performed better than all but the modifications with the greatest reduction in payment. Modifications with no change in payment tend to be offered to borrowers with adjustable rate mortgages who are current on their loan payments, which freezes the loan interest rate and payment so that it does not adjust higher.

Table 37. 60+ Delinquency at 6 Months After Modification by Change in Monthly Payment

	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Overall
First Quarter 2010	11.9%	21.3%	28.6%	33.4%	37.8%	19.2%
Second Quarter 2010	13.1%	22.5%	30.3%	25.0%	35.4%	19.7%
Third Quarter 2010	10.6%	18.7%	22.2%	10.5%	30.4%	15.6%
Fourth Quarter 2010	9.9%	16.3%	22.2%	18.5%	25.8%	14.3%
First Quarter 2011	11.1%	18.3%	21.6%	13.6%	35.4%	17.0%
Overall	11.4%	19.6%	25.3%	19.7%	33.3%	17.3%

Figure 14. **60+ Delinquency at 6 Months After Modification by Change in Monthly Payment**



Status of Mortgages Modified in 2008–2011 Through the Second Quarter of 2011

Servicers implemented 2,258,026 modifications from January 1, 2008 through June 30, 2011. Of these modifications, 49.5 percent were current and performing at the end of the third quarter of 2011 with another 1.3 percent paid off. Almost 27 percent of these modifications were delinquent, while 16.8 percent were in process of foreclosure or had completed the foreclosure process. HAMP modifications implemented since the third quarter of 2009 have performed better than other modifications. Modifications that reduced borrowers' monthly payments by 10 percent or more performed significantly better than other modifications. Of the 1,321,217 modifications that reduced payments by 10 percent or more, 58.8 percent were current and performing at the end of the third quarter, compared with 36.4 percent of modifications that reduced payments less than 10 percent (see table 38). Modifications of mortgages held in the servicers' portfolios and those serviced for GSEs performed better than modifications of mortgages serviced for other investors (see tables 28 through 31).

Table 38. Status of Mortgages Modified in 2008–2011								
	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	421,322	25.0%	6.4%	20.0%	17.8%	15.4%	3.2%	12.2%
2009	587,460	39.6%	8.3%	20.8%	14.6%	7.7%	1.7%	7.3%
2010	939,226	58.6%	9.7%	16.6%	8.4%	2.2%	0.5%	4.0%
2011**	310,018	74.0%	10.3%	12.6%	2.5%	0.2%	0.2%	0.2%
Total	2,258,026	49.5%	8.8%	17.8%	11.0%	5.8%	1.3%	5.9%
HAMP Modification Performance Compared With Other Modifications***								
Other Modifications	1,035,623	55.1%	10.4%	18.9%	8.8%	2.9%	0.7%	3.2%
HAMP Modifications	469,535	70.2%	8.1%	10.9%	5.3%	1.3%	0.3%	3.9%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,321,217	58.8%	8.8%	14.4%	8.2%	3.3%	0.8%	5.7%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	936,809	36.4%	8.9%	22.5%	14.8%	9.4%	2.0%	6.1%

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

**Includes modifications implemented during 2011 in effect at least three months.

***Modifications used to compare with HAMP modifications only include modifications implemented from the third quarter of 2009 through the second quarter of 2011.

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

Completed Foreclosures and Other Home Forfeiture Actions

Home forfeiture actions—foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—totaled 172,785 during the third quarter of 2011, a decrease of 4.1 percent from the previous quarter and a 30.1 percent decrease from a year earlier (see table 39). Completed foreclosures decreased to 112,686—down 7.0 percent from the previous quarter but up 18.5 percent from the fourth quarter 2010, a period of foreclosure moratoria. Short sales increased 1.9 percent during the third quarter and now make up more than 33 percent of all home forfeiture actions. Deed-in-lieu-of-foreclosure actions, while increased, remained a small portion of total home forfeiture actions.

Table 39. Completed Foreclosures and Other Home Forfeiture Actions

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Completed Foreclosures	189,285	96,070	119,739	121,209	112,686	-7.0%	-40.5%
New Short Sales	56,270	48,061	50,108	56,406	57,479	1.9%	2.1%
New Deed-in-Lieu-of-Foreclosure Actions	1,729	2,085	1,700	2,547	2,620	2.9%	51.5%
Total	247,284	146,216	171,547	180,162	172,785	-4.1%	-30.1%

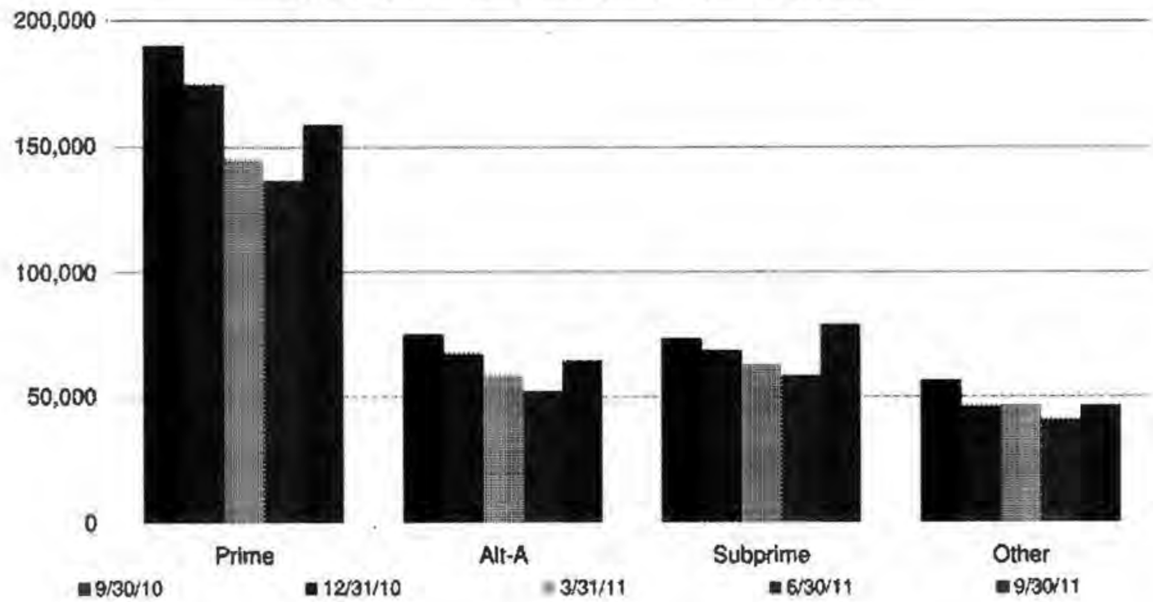
Newly Initiated Foreclosures

Servicers initiate foreclosure actions at defined stages of loan delinquency. However, final foreclosure sales only proceed if servicers and borrowers cannot arrange a permanent loss mitigation action, modification, or alternate workout solution. Newly initiated foreclosures increased by 21.1 percent to 347,726 during the third quarter of 2011 (see table 40).

Table 40. **Number of Newly Initiated Foreclosures**

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Prime	189,959	174,534	144,742	136,119	158,632	16.5%	-16.5%
Alt-A	74,860	67,149	58,474	52,064	64,215	23.3%	-14.2%
Subprime	73,129	68,415	62,459	58,229	78,852	35.4%	7.8%
Other	56,388	45,847	46,560	40,750	46,027	12.9%	-18.4%
Total	394,356	355,945	312,235	287,162	347,726	21.1%	-11.8%

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



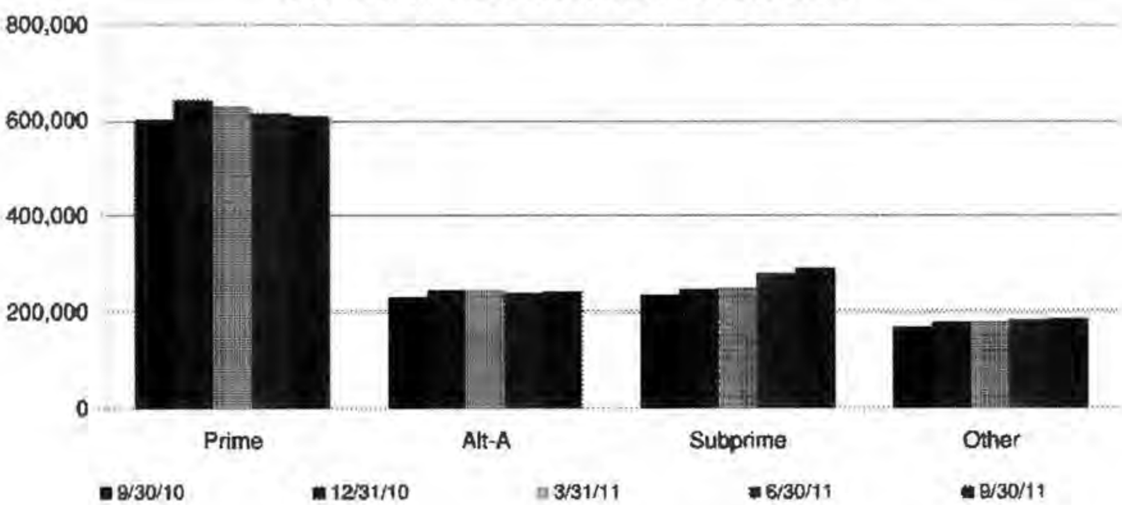
Foreclosures in Process

The number of mortgages in process of foreclosure increased 0.5 percent from the previous quarter to 1,327,077 as the number of new foreclosure actions exceeded the number of foreclosure sales during the quarter. While the number of foreclosures in process increased during the third quarter, foreclosures in process as a percentage of total serviced mortgages remained relatively stable for the fourth consecutive quarter at 4.1 percent (see table 41).

Table 41. **Foreclosures in Process**

Percentage of Foreclosures in Process Relative to Mortgages in That Risk Category							
	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Prime	2.8%	2.8%	2.8%	2.7%	2.7%	-0.8%	2.1%
Alt-A	6.4%	6.8%	7.0%	6.8%	6.9%	1.2%	7.9%
Subprime	9.2%	10.0%	10.4%	11.3%	12.0%	6.1%	30.4%
Other	4.0%	4.4%	4.5%	4.7%	5.0%	5.2%	24.4%
Total	3.7%	4.0%	4.0%	4.0%	4.1%	1.8%	10.6%
Number of Foreclosures in Process							
Prime	601,365	642,791	632,578	616,238	607,532	-1.4%	1.0%
Alt-A	230,579	244,896	244,588	241,010	242,376	0.6%	5.1%
Subprime	234,184	247,047	251,201	279,636	290,556	3.9%	24.1%
Other	167,589	177,728	180,390	183,103	186,613	1.9%	11.4%
Total	1,233,717	1,312,462	1,308,757	1,319,987	1,327,077	0.5%	7.6%

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



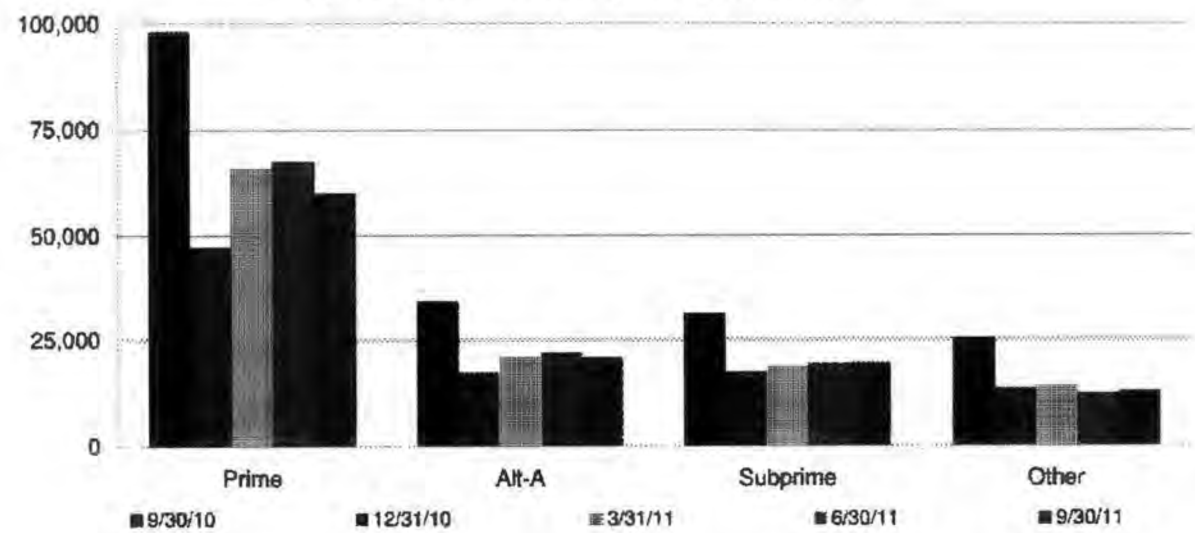
Completed Foreclosures

The number of completed foreclosures decreased to 112,686 during the third quarter of 2011—down 7.0 percent from the previous quarter and 40.5 percent from the same period a year earlier (see table 42).

***Table 42.* Completed Foreclosures**

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Percentage of Completed Foreclosures Relative to Mortgages in That Risk Category							
Prime	0.4%	0.2%	0.3%	0.3%	0.3%	-10.7%	-38.4%
Alt-A	1.0%	0.5%	0.6%	0.6%	0.6%	-5.6%	-38.0%
Subprime	1.2%	0.7%	0.8%	0.8%	0.8%	2.7%	-34.6%
Other	0.6%	0.3%	0.4%	0.3%	0.3%	5.7%	-44.7%
Total	0.6%	0.3%	0.4%	0.4%	0.3%	-6.1%	-38.8%
Number of Completed Foreclosures							
Prime	98,211	47,224	65,889	67,451	59,878	-11.2%	-39.0%
Alt-A	34,284	17,158	21,033	22,066	20,705	-6.2%	-39.6%
Subprime	31,313	17,200	18,644	19,364	19,486	0.6%	-37.8%
Other	25,477	13,468	14,173	12,328	12,617	2.3%	-50.5%
Total	189,285	95,070	119,739	121,209	112,686	-7.0%	-40.5%

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



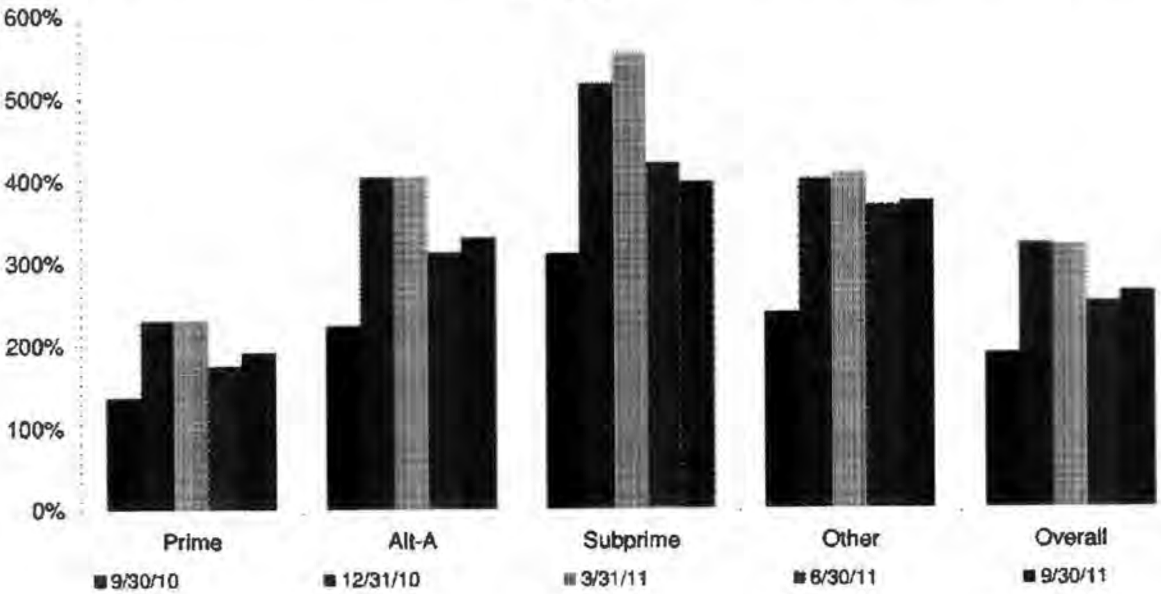
New Home Retention Actions Relative to Forfeiture Actions, by Risk Category

Home retention actions relative to home forfeitures increased during the third quarter of 2011, reflecting a 0.6 percent increase in new home retention actions and a decrease in completed foreclosures and other foreclosure actions. New home retention actions continued to significantly exceed home forfeitures as servicers initiated 2.7 times as many home retention actions as home forfeiture actions during the quarter (see table 43).

Table 43. Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Prime	136.2%	230.6%	231.8%	175.2%	191.2%	9.1%	40.4%
Alt-A	223.6%	405.5%	406.3%	313.4%	332.0%	5.9%	48.4%
Subprime	312.4%	519.8%	556.8%	423.5%	400.4%	-5.4%	28.1%
Other	239.5%	403.8%	411.2%	371.4%	375.8%	1.2%	56.9%
Overall	190.2%	324.7%	324.9%	253.1%	265.6%	4.9%	39.7%

Figure 18. **Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category**



Appendixes

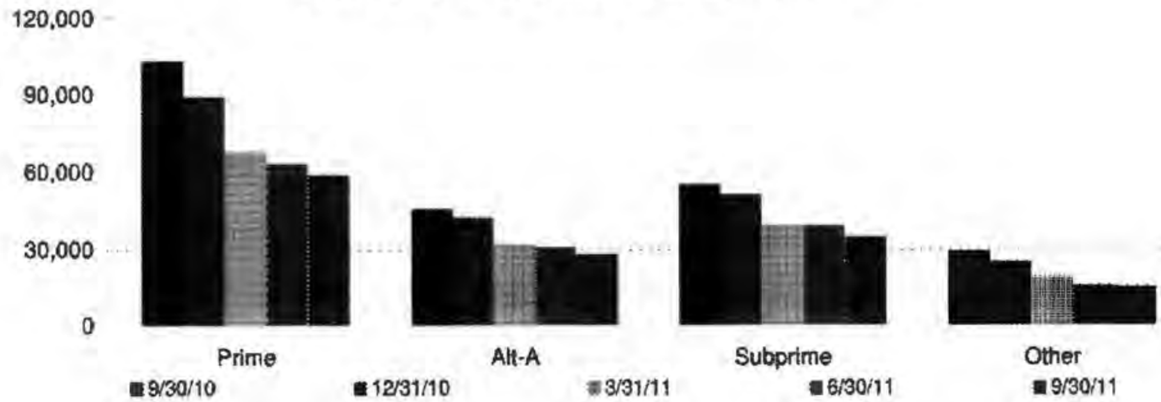
Appendix A—New Loan Modifications

New loan modifications decreased for the fourth consecutive quarter to 137,539 during the third quarter of 2011—down 8.5 percent from the previous quarter and 41.2 percent from a year earlier (see table 44). New modifications decreased across all risk categories during the quarter.

Table 44. **Number of New Loan Modifications**

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Prime	103,362	89,499	68,114	63,399	58,858	-7.2%	-43.1%
Alt-A	45,768	42,654	32,352	31,190	28,169	-9.7%	-38.5%
Subprime	55,201	51,305	39,920	39,569	35,177	-11.1%	-36.3%
Other	29,387	25,257	19,376	16,098	15,335	-4.7%	-47.8%
Total	233,718	208,715	159,762	150,256	137,539	-8.5%	-41.2%

Figure 19. **Number of New Loan Modifications**



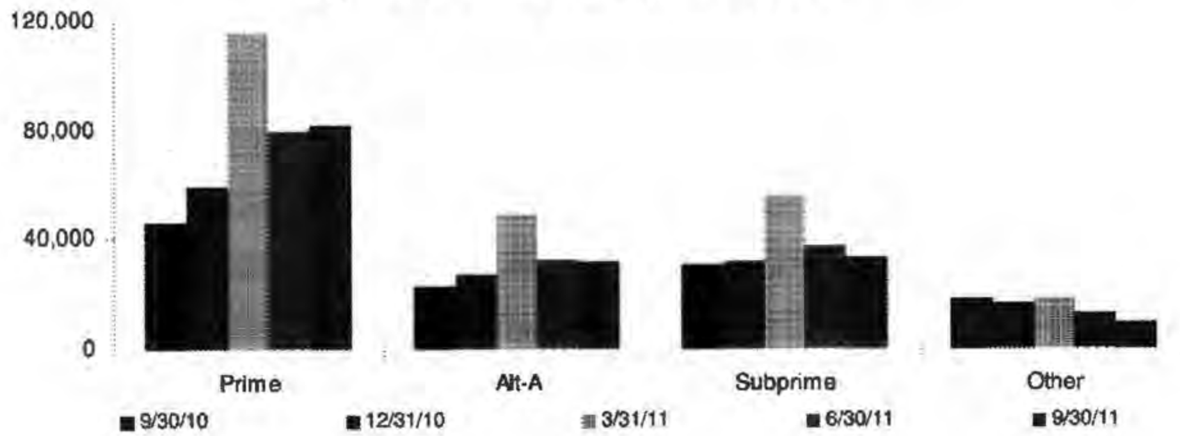
Appendix B—New Trial-Period Plans

Servicers initiated 156,801 trial-period plans during the third quarter of 2011, a 3.8 percent decrease from the previous quarter (see table 45). This was the second consecutive quarterly decrease in new trial-period plans. New trial-period plans decreased across all risk categories except for prime during the quarter.

Table 45. Number of New Trial Period Plans

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Prime	46,045	58,751	115,742	80,012	82,135	2.7%	78.4%
Alt-A	22,940	26,823	48,528	32,771	31,825	-2.9%	38.7%
Subprime	30,271	32,095	55,455	37,275	33,223	-10.9%	9.8%
Other	17,721	16,387	19,023	13,018	9,618	-26.1%	-45.7%
Total	116,977	134,056	238,748	163,076	156,801	-3.8%	34.0%

Figure 20. **Number of New Trial-Period Plans**

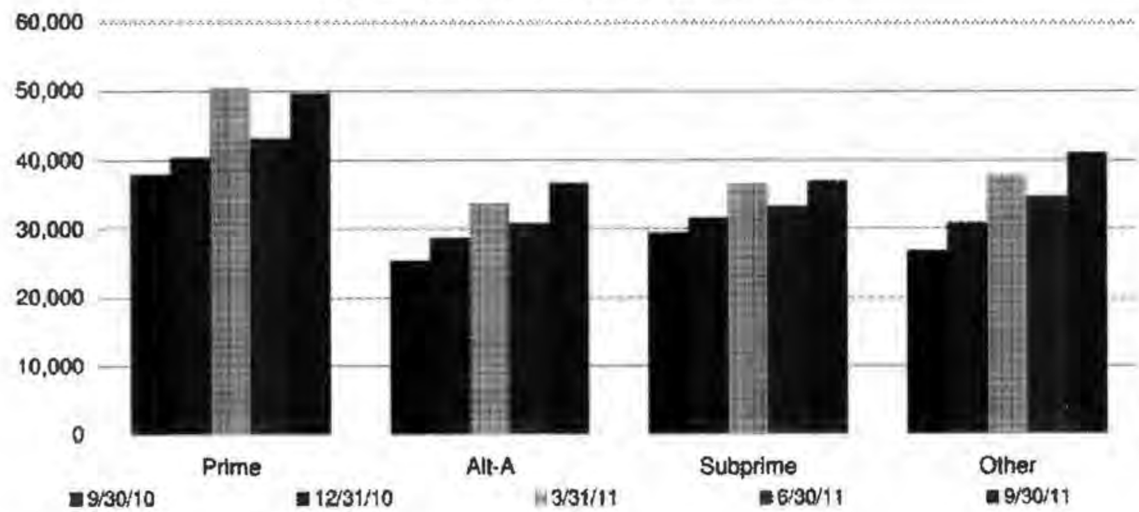


Appendix C—New Payment Plans

New payment plans increased by 15.3 percent to 164,559 during the third quarter of 2011 (see table 46). New payment plans increased across all risk categories during the quarter.

Table 46. Number of New Payment Plans							
	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Prime	37,943	40,555	50,401	43,356	49,639	14.5%	30.8%
Alt-A	25,412	28,745	33,881	30,957	36,758	18.7%	44.6%
Subprime	29,430	31,682	36,632	33,544	37,058	10.5%	25.9%
Other	26,804	31,006	37,907	34,821	41,104	18.0%	53.4%
Total	119,589	131,988	158,821	142,678	164,559	15.3%	37.6%

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



Appendix D—Breakdown of Individual and Combination Modification Actions

Servicers generally use a combination of actions to achieve payment sustainability when modifying a mortgage. Servicers changed more than one loan term in 94.4 percent of all modifications implemented during the third quarter of 2011 (see table 47).

Table 47. Changes in Terms for Modifications Made Through the Third Quarter of 2011

	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
(Percentage of Modifications in Each Category)							
Combination*	90.3%	92.1%	88.2%	94.2%	94.4%	0.2%	4.5%
Capitalization	3.4%	3.0%	3.6%	1.6%	2.5%	62.9%	-25.6%
Rate Reduction	1.2%	1.8%	1.7%	1.3%	1.2%	-6.7%	3.7%
Rate Freeze	0.2%	0.2%	0.4%	0.3%	0.4%	58.0%	162.5%
Term Extension	2.1%	0.5%	2.9%	0.9%	0.4%	-58.8%	-83.6%
Principal Reduction	1.8%	0.1%	0.0%	0.0%	0.0%	380.7%	-99.1%
Principal Deferral	0.2%	0.3%	0.2%	0.1%	0.0%	-50.2%	-81.0%
Not Reported**	0.7%	1.1%	2.9%	1.7%	1.0%	-43.0%	38.2%
(Number of Changes in Each Category)							
Combination*	211,162	192,141	140,923	141,557	129,892	-8.2%	-38.5%
Capitalization	7,987	8,210	5,716	2,339	3,487	49.1%	-56.3%
Rate Reduction	2,755	3,679	2,709	1,970	1,682	-14.6%	-38.9%
Rate Freeze	367	495	660	392	567	44.6%	54.5%
Term Extension	4,983	1,000	4,690	1,278	482	-62.3%	-90.3%
Principal Reduction	4,245	184	3	5	22	340.0%	-99.5%
Principal Deferral	555	622	363	136	62	-54.4%	-88.8%
Not Reported**	1,664	2,373	4,698	2,579	1,345	-47.8%	-18.7%
All Modifications	233,718	208,715	159,762	150,256	137,539	-8.5%	-41.2%

*Combination modifications result in a change to two or more loan terms. All other modification types detailed in this table involve only the individual listed action.

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

Changes in Terms for Combination Modification Actions

Of the 137,539 modifications implemented in the third quarter of 2011, 129,892 (94.4 percent) were combination modifications that changed more than one of original terms of the loan. Table 48 details the specific actions included in these modifications. Of the 129,892 combination modifications implemented during the third quarter of 2011, 91.0 percent included capitalization of missed fees and payments, 80.8 percent included interest rate reduction, and 60.9 percent included an extension of the loan maturity. Principal deferral was included in 21.6 percent of the combination modifications implemented during the quarter and principal reduction was part of 8.2 percent of third-quarter modifications. Because combination modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total combination modifications.

Table 48. Changes in Terms for Combination Modifications Through the Third Quarter of 2011

(Percentage of Modifications in Each Category)	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	1Q %Change	1Y %Change
Capitalization	93.2%	95.2%	94.5%	94.7%	91.0%	-3.9%	-2.3%
Rate Reduction	94.4%	89.5%	91.7%	83.0%	80.8%	-2.6%	-14.4%
Rate Freeze	1.9%	2.4%	1.8%	2.0%	4.4%	122.9%	128.5%
Term Extension	61.4%	60.4%	62.5%	64.0%	60.9%	-4.9%	-0.9%
Principal Reduction	4.3%	2.9%	3.1%	6.1%	8.2%	35.0%	91.3%
Principal Deferral	10.9%	9.5%	12.5%	19.7%	21.6%	9.8%	97.4%
(Total Number of Changes in Each Category)							
Capitalization	196,737	182,922	133,134	134,059	118,175	-11.8%	-39.9%
Rate Reduction	199,302	172,000	129,254	117,452	104,969	-10.6%	-47.3%
Rate Freeze	4,098	4,530	2,482	2,817	5,761	104.5%	40.6%
Term Extension	129,652	116,058	88,086	90,602	79,054	-12.7%	-39.0%
Principal Reduction	9,095	5,502	4,423	8,640	10,700	23.8%	17.6%
Principal Deferral	23,122	18,214	17,595	27,853	28,071	0.8%	21.4%

Appendix E—Mortgage Modification Data by State

The following tables present certain mortgage modification data by state, the District of Columbia, and U.S. territories (included in the category labeled "Other"). Developed over several quarters, this data fulfills reporting requirements in the Dodd–Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203).

Table 49 presents the number and percentage of HAMP modifications and other modifications in each state during the third quarter of 2011. Tables 50 and 51 present the number and percentage of each type of action included in modifications made during the quarter in each state. Tables 52 and 53 present the number and percentage of each type of action included in combination modifications made during the quarter in each state. Tables 54 and 55 present the number and percentage of modifications made during the quarter in each state by the amount of change in the borrowers' monthly principal and interest payments. Tables 56 and 57 present the number and percentage of modifications made in the first quarter of 2011 that were 60 or more days delinquent or in process of foreclosure at the end of the third quarter of 2011.

Table 49. Number and Percentage of Mortgage Modifications
Implemented in the Third Quarter of 2011

	HAMP Modifications		Other Modifications		Total Modifications	
States	Total	% of State Total	Total	% of State Total	Total	% of Total
Total	53,941	39.2%	83,598	60.8%	137,539	100.0%
Alabama	278	21.9%	989	78.1%	1,267	0.9%
Alaska	21	23.3%	69	76.7%	90	0.1%
Arizona	1,772	43.2%	2,334	56.8%	4,106	3.0%
Arkansas	116	24.4%	359	75.6%	475	0.3%
California	15,599	52.7%	14,006	47.3%	29,605	21.5%
Colorado	740	36.2%	1,304	63.8%	2,044	1.5%
Connecticut	703	41.2%	1,002	58.8%	1,705	1.2%
Delaware	165	31.7%	356	68.3%	521	0.4%
District of Columbia	83	35.8%	149	64.2%	232	0.2%
Florida	6,094	44.5%	7,613	55.5%	13,707	10.0%
Georgia	1,896	30.6%	4,307	69.4%	6,203	4.5%
Hawaii	168	41.8%	234	58.2%	402	0.3%
Idaho	202	36.3%	355	63.7%	557	0.4%
Illinois	2,935	41.3%	4,175	58.7%	7,110	5.2%
Indiana	428	19.6%	1,756	80.4%	2,184	1.6%
Iowa	135	22.6%	463	77.4%	598	0.4%
Kansas	136	25.5%	398	74.5%	534	0.4%
Kentucky	196	22.9%	659	77.1%	855	0.6%
Louisiana	295	24.9%	891	75.1%	1,186	0.9%
Maine	131	35.8%	235	64.2%	366	0.3%
Maryland	1,644	39.2%	2,548	60.8%	4,192	3.0%
Massachusetts	1,092	42.8%	1,458	57.2%	2,550	1.9%
Michigan	1,362	31.4%	2,973	68.6%	4,335	3.2%
Minnesota	748	36.5%	1,299	63.5%	2,047	1.5%
Mississippi	135	20.5%	522	79.5%	657	0.5%
Missouri	537	29.7%	1,273	70.3%	1,810	1.3%
Montana	61	29.2%	148	70.8%	209	0.2%
Nebraska	78	24.5%	240	75.5%	318	0.2%
Nevada	1,214	46.4%	1,403	53.6%	2,618	1.9%
New Hampshire	227	43.2%	298	56.8%	525	0.4%
New Jersey	1,971	41.7%	2,750	58.3%	4,721	3.4%
New Mexico	199	35.2%	367	64.8%	566	0.4%
New York	2,857	45.2%	3,458	54.8%	6,315	4.6%
North Carolina	977	26.4%	2,727	73.6%	3,704	2.7%
North Dakota	7	17.5%	33	82.5%	40	0.0%
Ohio	802	23.2%	2,653	76.8%	3,455	2.5%
Oklahoma	145	20.5%	563	79.5%	708	0.5%
Oregon	616	44.0%	784	56.0%	1,400	1.0%
Pennsylvania	1,071	30.3%	2,460	69.7%	3,531	2.6%
Rhode Island	249	45.6%	297	54.4%	546	0.4%
South Carolina	461	26.4%	1,285	73.6%	1,746	1.3%
South Dakota	8	10.4%	69	89.6%	77	0.1%
Tennessee	522	28.5%	1,307	71.5%	1,829	1.3%
Texas	1,494	22.3%	5,213	77.7%	6,707	4.9%
Utah	441	37.8%	725	62.2%	1,166	0.8%
Vermont	34	26.2%	96	73.8%	130	0.1%
Virginia	1,139	37.4%	1,907	62.6%	3,046	2.2%
Washington	1,196	42.0%	1,654	58.0%	2,850	2.1%
West Virginia	50	18.3%	223	81.7%	273	0.2%
Wisconsin	470	30.6%	1,064	69.4%	1,534	1.1%
Wyoming	20	22.5%	69	77.5%	89	0.1%
Other	21	21.0%	79	79.0%	100	0.1%

Table 50. Number of Mortgage Modification Actions
Implemented in the Third Quarter of 2011

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reductions	Principal Deferral	Combination	Not Reported	Total Modifications
Total	3,487	2,249	482	22	62	129,892	1,345	137,539
Alabama	46	18	24	0	0	1,172	7	1,267
Alaska	5	2	0	0	0	83	0	90
Arizona	72	92	7	1	1	3,902	31	4,106
Arkansas	12	10	0	0	0	447	6	475
California	441	380	32	9	21	28,383	339	29,605
Colorado	47	33	5	0	3	1,948	8	2,044
Connecticut	58	24	3	0	0	1,597	23	1,705
Delaware	11	11	3	0	0	493	3	521
District of Columbia	6	3	0	1	0	219	3	232
Florida	251	256	44	4	7	12,970	175	13,707
Georgia	175	100	40	1	0	5,828	59	6,203
Hawaii	9	4	1	0	0	385	3	402
Idaho	12	7	4	0	0	529	5	557
Illinois	147	124	13	2	2	6,758	64	7,110
Indiana	72	58	11	0	0	2,021	22	2,184
Iowa	28	8	5	0	0	553	4	598
Kansas	15	8	1	0	0	505	5	534
Kentucky	30	11	6	0	1	803	4	855
Louisiana	31	18	8	0	0	1,116	13	1,186
Maine	18	5	1	0	0	338	4	366
Maryland	108	63	13	0	3	3,950	55	4,192
Massachusetts	81	31	3	0	2	2,413	20	2,550
Michigan	123	172	16	0	0	3,990	34	4,335
Minnesota	52	39	5	1	1	1,932	17	2,047
Mississippi	26	10	7	0	0	610	4	657
Missouri	60	38	15	0	0	1,686	11	1,810
Montana	1	1	1	0	0	205	1	208
Nebraska	12	7	1	0	1	295	2	318
Nevada	38	29	2	3	1	2,514	29	2,616
New Hampshire	17	11	5	0	0	489	3	525
New Jersey	126	46	8	0	4	4,492	45	4,721
New Mexico	26	13	3	0	0	524	0	566
New York	305	82	8	0	6	5,821	95	6,315
North Carolina	130	44	42	0	0	3,457	31	3,704
North Dakota	1	2	2	0	0	35	0	40
Ohio	116	87	24	0	0	3,195	33	3,455
Oklahoma	27	7	2	0	0	665	7	708
Oregon	30	27	2	0	0	1,335	6	1,400
Pennsylvania	137	77	17	0	1	3,270	29	3,531
Rhode Island	20	5	0	0	0	516	5	546
South Carolina	52	30	19	0	2	1,631	12	1,746
South Dakota	6	2	0	0	0	66	3	77
Tennessee	53	36	13	0	0	1,713	13	1,828
Texas	236	82	14	0	2	6,338	35	6,707
Utah	25	8	3	0	0	1,125	5	1,166
Vermont	4	4	8	0	0	113	1	130
Virginia	88	65	16	0	3	2,853	21	3,046
Washington	61	37	8	0	0	2,716	28	2,850
West Virginia	15	11	3	0	0	241	3	273
Wisconsin	30	35	12	0	1	1,444	12	1,534
Wyoming	3	1	2	0	0	83	0	89
Other	0	1	0	0	0	95	4	100

Table 51. Percentage of Mortgage Modification Actions Implemented in the Third Quarter of 2011								
States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Combination	Not Reported	Total Modifications
Total	2.5%	1.6%	0.4%	0.0%	0.0%	94.4%	1.0%	137,539
Alabama	3.6%	1.4%	1.9%	0.0%	0.0%	92.5%	0.6%	1,267
Alaska	5.6%	2.2%	0.0%	0.0%	0.0%	92.2%	0.0%	90
Arizona	1.8%	1.5%	0.2%	0.0%	0.0%	95.6%	0.8%	4,105
Arkansas	2.5%	2.1%	0.0%	0.0%	0.0%	94.1%	1.3%	475
California	1.5%	1.3%	0.1%	0.0%	0.1%	95.9%	1.1%	29,605
Colorado	2.3%	1.6%	0.2%	0.0%	0.1%	95.3%	0.4%	2,044
Connecticut	3.4%	1.4%	0.2%	0.0%	0.0%	93.7%	1.3%	1,705
Delaware	2.1%	2.1%	0.6%	0.0%	0.0%	94.6%	0.6%	521
District of Columbia	2.6%	1.3%	0.0%	0.4%	0.0%	94.4%	1.3%	232
Florida	1.8%	1.9%	0.3%	0.0%	0.1%	94.6%	1.3%	13,707
Georgia	2.8%	1.6%	0.6%	0.0%	0.0%	94.0%	1.0%	6,205
Hawaii	2.2%	1.0%	0.2%	0.0%	0.0%	95.8%	0.7%	402
Idaho	2.2%	1.3%	0.7%	0.0%	0.0%	95.0%	0.9%	557
Illinois	2.1%	1.7%	0.2%	0.0%	0.0%	95.0%	0.9%	7,110
Indiana	3.3%	2.7%	0.5%	0.0%	0.0%	92.6%	1.0%	2,184
Iowa	4.7%	1.3%	0.8%	0.0%	0.0%	92.5%	0.7%	598
Kansas	2.8%	1.5%	0.2%	0.0%	0.0%	94.6%	0.9%	534
Kentucky	3.5%	1.3%	0.7%	0.0%	0.1%	93.9%	0.5%	855
Louisiana	2.6%	1.5%	0.7%	0.0%	0.0%	94.1%	1.1%	1,166
Maine	4.9%	1.4%	0.3%	0.0%	0.0%	92.3%	1.1%	366
Maryland	2.6%	1.5%	0.3%	0.0%	0.1%	94.2%	1.3%	4,192
Massachusetts	3.2%	1.2%	0.1%	0.0%	0.1%	94.6%	0.8%	2,550
Michigan	2.8%	4.0%	0.4%	0.0%	0.0%	92.0%	0.8%	4,385
Minnesota	2.5%	1.9%	0.2%	0.0%	0.0%	94.4%	0.8%	2,047
Mississippi	4.0%	1.5%	1.1%	0.0%	0.0%	92.8%	0.6%	657
Missouri	3.3%	2.1%	0.8%	0.0%	0.0%	93.1%	0.6%	1,810
Montana	0.5%	0.5%	0.5%	0.0%	0.0%	98.1%	0.5%	209
Nebraska	3.8%	2.2%	0.3%	0.0%	0.3%	92.8%	0.6%	318
Nevada	1.6%	1.1%	0.1%	0.1%	0.0%	96.1%	1.1%	2,619
New Hampshire	3.2%	2.1%	1.0%	0.0%	0.0%	93.1%	0.6%	525
New Jersey	2.5%	1.0%	0.2%	0.0%	0.1%	95.1%	1.0%	4,724
New Mexico	4.6%	2.3%	0.5%	0.0%	0.0%	92.6%	0.0%	566
New York	4.8%	1.3%	0.1%	0.0%	0.1%	92.2%	1.5%	5,315
North Carolina	3.5%	1.2%	1.1%	0.0%	0.0%	93.3%	0.8%	3,704
North Dakota	2.5%	5.0%	5.0%	0.0%	0.0%	87.5%	0.0%	40
Ohio	3.4%	2.5%	0.7%	0.0%	0.0%	92.5%	1.0%	3,455
Oklahoma	3.8%	1.0%	0.3%	0.0%	0.0%	93.9%	1.0%	708
Oregon	2.1%	1.9%	0.1%	0.0%	0.0%	95.4%	0.4%	1,400
Pennsylvania	3.9%	2.2%	0.5%	0.0%	0.0%	92.8%	0.6%	3,531
Rhode Island	3.7%	0.9%	0.0%	0.0%	0.0%	94.5%	0.9%	546
South Carolina	3.0%	1.7%	1.1%	0.0%	0.1%	93.4%	0.7%	1,746
South Dakota	7.8%	2.6%	0.0%	0.0%	0.0%	85.7%	3.9%	77
Tennessee	2.9%	2.1%	0.7%	0.0%	0.0%	93.7%	0.7%	1,829
Texas	3.5%	1.2%	0.2%	0.0%	0.0%	94.5%	0.5%	6,707
Utah	2.1%	0.7%	0.3%	0.0%	0.0%	96.5%	0.4%	1,168
Vermont	3.1%	3.1%	6.2%	0.0%	0.0%	86.9%	0.8%	130
Virginia	2.9%	2.1%	0.5%	0.0%	0.1%	93.7%	0.7%	3,046
Washington	2.1%	1.3%	0.3%	0.0%	0.0%	95.3%	1.0%	2,850
West Virginia	5.5%	4.0%	1.1%	0.0%	0.0%	88.3%	1.1%	273
Wisconsin	2.0%	2.3%	0.8%	0.0%	0.1%	94.1%	0.8%	1,534
Wyoming	3.4%	1.1%	2.2%	0.0%	0.0%	93.3%	0.0%	89
Other	0.0%	1.0%	0.0%	0.0%	0.0%	95.0%	4.0%	100

Table 52. Number of Modification Actions in Combination Actions Implemented in the Third Quarter of 2011						
States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total	118,175	110,570	79,054	10,700	28,071	129,892
Alabama	1,043	1,022	748	43	91	1,172
Alaska	83	73	57	0	5	83
Arizona	3,535	3,182	2,288	397	1,084	3,832
Arkansas	439	383	284	12	38	447
California	24,664	23,876	15,951	4,035	8,743	26,383
Colorado	1,783	1,736	1,221	94	244	1,948
Connecticut	1,483	1,380	948	98	304	1,597
Delaware	453	436	320	15	60	493
District of Columbia	204	183	135	12	40	219
Florida	11,458	10,451	7,649	1,671	4,020	12,970
Georgia	5,494	5,132	3,650	288	905	5,826
Hawaii	364	315	222	18	67	385
Idaho	487	446	338	27	97	529
Illinois	6,127	5,687	4,355	591	1,670	6,758
Indiana	1,903	1,786	1,323	73	160	2,021
Iowa	523	488	371	12	23	553
Kansas	476	461	322	11	34	505
Kentucky	739	706	544	25	52	803
Louisiana	1,075	1,008	702	31	80	1,116
Maine	320	302	196	11	38	338
Maryland	3,667	3,351	2,311	228	758	3,950
Massachusetts	2,255	1,995	1,432	158	447	2,413
Michigan	3,546	3,350	2,324	338	731	3,990
Minnesota	1,784	1,613	1,224	103	349	1,932
Mississippi	556	569	388	26	47	618
Missouri	1,566	1,465	1,034	89	197	1,686
Montana	189	164	132	14	27	205
Nebraska	270	269	213	4	29	295
Nevada	2,393	1,982	1,431	274	771	2,514
New Hampshire	447	429	305	21	69	489
New Jersey	4,206	3,820	2,922	309	1,006	4,492
New Mexico	489	471	327	19	53	524
New York	5,417	4,995	3,513	347	1,233	5,821
North Carolina	3,119	3,100	2,369	83	294	3,457
North Dakota	29	39	27	0	3	35
Ohio	2,929	2,736	1,998	193	350	3,195
Oklahoma	647	600	450	8	40	665
Oregon	1,244	1,146	803	85	254	1,335
Pennsylvania	3,047	2,823	2,110	117	378	3,270
Rhode Island	472	420	316	39	152	516
South Carolina	1,475	1,445	1,119	46	177	1,631
South Dakota	66	58	49	0	2	66
Tennessee	1,606	1,486	1,026	77	153	1,713
Texas	6,107	5,807	4,260	212	360	6,338
Utah	1,072	975	670	48	145	1,125
Vermont	90	97	78	2	7	113
Virginia	2,571	2,473	1,725	146	473	2,653
Washington	2,492	2,289	1,718	193	560	2,716
West Virginia	208	206	154	12	29	241
Wisconsin	1,332	1,227	956	59	220	1,444
Wyoming	77	74	58	0	7	83
Other	94	85	33	0	13	95

Table 53. Percentage of Modification Actions in Combination Actions
Implemented in the Third Quarter of 2011

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total	91.0%	85.1%	60.9%	8.2%	21.6%	129,892
Alabama	89.0%	87.2%	63.8%	3.7%	7.8%	1,172
Alaska	100.0%	88.0%	68.7%	0.0%	6.0%	83
Arizona	92.4%	80.9%	57.7%	10.1%	27.6%	3,932
Arkansas	98.2%	85.7%	63.5%	2.7%	8.5%	447
California	88.9%	84.1%	58.2%	14.2%	34.3%	28,383
Colorado	91.5%	89.1%	62.7%	4.8%	12.5%	1,948
Connecticut	92.9%	86.4%	59.0%	8.1%	19.0%	1,597
Delaware	91.9%	88.4%	64.9%	3.0%	12.2%	493
District of Columbia	93.2%	83.6%	60.7%	5.5%	18.3%	219
Florida	88.3%	80.6%	59.0%	12.9%	31.0%	12,970
Georgia	94.3%	88.1%	62.6%	4.9%	15.5%	5,828
Hawaii	94.5%	81.6%	57.7%	4.2%	17.4%	385
Idaho	92.1%	84.2%	63.9%	5.1%	18.3%	529
Illinois	90.7%	84.2%	64.4%	8.7%	24.7%	6,758
Indiana	94.2%	88.4%	65.5%	3.5%	7.4%	2,021
Iowa	94.6%	88.2%	67.1%	2.2%	4.2%	553
Kansas	94.8%	89.3%	63.5%	2.2%	6.7%	505
Kentucky	92.0%	87.9%	67.7%	3.1%	6.5%	803
Louisiana	96.3%	89.9%	62.9%	2.8%	7.2%	1,116
Maine	94.7%	89.3%	58.0%	3.3%	11.2%	338
Maryland	93.3%	84.8%	58.5%	5.8%	19.2%	4,950
Massachusetts	93.5%	82.7%	59.3%	6.5%	18.5%	2,413
Michigan	88.9%	84.0%	58.2%	6.5%	18.3%	4,990
Minnesota	92.3%	83.5%	63.4%	5.3%	18.1%	1,932
Mississippi	91.1%	88.4%	60.3%	4.3%	7.7%	610
Missouri	92.9%	86.9%	61.3%	5.3%	11.7%	1,686
Montana	92.2%	80.0%	64.4%	6.3%	13.2%	205
Nebraska	91.5%	91.2%	72.2%	1.4%	9.8%	295
Nevada	92.8%	78.8%	56.9%	10.0%	30.7%	2,514
New Hampshire	91.4%	87.7%	62.4%	4.3%	14.1%	489
New Jersey	90.5%	85.0%	65.0%	6.7%	22.4%	4,492
New Mexico	93.3%	89.9%	62.4%	3.6%	10.1%	524
New York	95.1%	85.8%	60.4%	6.0%	21.2%	5,821
North Carolina	90.2%	89.7%	68.5%	2.4%	8.5%	3,457
North Dakota	82.9%	94.3%	77.1%	0.0%	8.6%	35
Ohio	91.7%	85.6%	62.5%	6.0%	11.0%	3,195
Oklahoma	97.3%	90.2%	67.7%	1.2%	6.0%	665
Oregon	93.2%	85.8%	60.1%	6.4%	19.0%	1,335
Pennsylvania	93.2%	86.5%	64.5%	3.8%	11.5%	3,270
Rhode Island	91.5%	81.4%	61.2%	7.6%	29.5%	516
South Carolina	90.4%	88.6%	68.0%	2.8%	10.9%	1,831
South Dakota	100.0%	87.9%	74.2%	0.0%	3.0%	66
Tennessee	93.8%	87.5%	58.9%	4.5%	9.8%	1,713
Texas	96.4%	91.6%	67.2%	3.3%	5.7%	6,338
Utah	95.9%	88.7%	56.6%	4.3%	12.9%	1,125
Vermont	79.6%	85.8%	69.0%	1.8%	8.2%	113
Virginia	90.1%	88.7%	60.5%	5.1%	16.5%	2,853
Washington	91.8%	84.3%	63.3%	7.1%	20.6%	2,716
West Virginia	88.9%	85.1%	63.9%	5.0%	9.5%	241
Wisconsin	92.2%	85.0%	66.2%	4.1%	15.2%	1,444
Wyoming	92.8%	89.2%	72.3%	0.0%	8.4%	83
Other	98.9%	89.5%	34.7%	0.0%	13.7%	95

Table 54. Changes in Monthly Principal and Interest Payments by State (Number) Modifications Implemented in the Third Quarter of 2011							
States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total	73,353	25,055	23,971	3,335	11,202	623	137,539
Alabama	485	312	295	32	135	8	1,267
Alaska	30	17	25	1	16	1	90
Arizona	2,370	729	646	89	256	16	4,106
Arkansas	184	111	117	9	53	1	475
California	18,595	4,212	3,873	901	1,828	96	29,605
Colorado	895	470	453	55	167	4	2,044
Connecticut	928	311	276	34	148	8	1,705
Delaware	222	104	131	10	53	1	521
District of Columbia	99	40	58	4	29	2	232
Florida	8,609	2,046	1,774	427	786	65	13,707
Georgia	2,979	1,237	1,280	119	535	53	6,203
Hawaii	238	61	75	5	21	2	402
Idaho	292	101	120	5	38	1	557
Illinois	4,112	1,150	1,100	139	583	26	7,110
Indiana	844	569	481	43	235	12	2,184
Iowa	247	143	124	9	71	4	598
Kansas	227	121	119	7	56	4	534
Kentucky	338	214	183	17	98	5	855
Louisiana	474	248	279	19	162	4	1,186
Maine	164	91	62	5	42	2	366
Maryland	2,060	801	846	81	376	28	4,192
Massachusetts	1,388	482	425	63	188	4	2,550
Michigan	2,166	837	739	210	352	31	4,335
Minnesota	1,040	407	366	63	159	12	2,047
Mississippi	285	122	143	22	84	1	657
Missouri	824	397	383	38	161	7	1,810
Montana	101	32	52	3	20	1	209
Nebraska	129	75	66	5	43	0	318
Nevada	1,632	408	366	57	144	9	2,616
New Hampshire	273	94	106	12	38	2	525
New Jersey	2,597	827	789	79	414	15	4,721
New Mexico	248	140	120	5	51	2	566
New York	3,703	1,076	956	116	434	30	6,315
North Carolina	1,594	811	822	72	381	24	3,704
North Dakota	15	7	10	2	6	0	40
Ohio	1,476	732	739	94	393	21	3,455
Oklahoma	249	173	170	14	98	4	708
Oregon	776	286	205	18	110	5	1,400
Pennsylvania	1,580	741	742	74	380	14	3,531
Rhode Island	327	84	81	11	42	1	546
South Carolina	721	397	402	37	177	12	1,746
South Dakota	21	16	26	0	11	3	77
Tennessee	765	407	417	40	189	11	1,829
Texas	2,672	1,511	1,584	67	849	24	6,707
Utah	542	254	247	12	107	4	1,166
Vermont	57	20	35	7	11	0	130
Virginia	1,452	840	808	87	247	12	3,046
Washington	1,435	591	517	70	224	13	2,850
West Virginia	100	55	70	12	33	3	273
Wisconsin	724	297	318	31	154	10	1,534
Wyoming	27	22	29	3	6	0	89
Other	44	28	19	1	5	3	100

Table 55. Changes in Monthly Principal and Interest Payments (Percentage)
Modifications Implemented During the Third Quarter of 2011

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total	53.3%	18.2%	17.4%	2.4%	8.1%	0.5%	137,539
Alabama	38.3%	24.8%	23.3%	2.5%	10.7%	0.6%	1,287
Alaska	33.3%	18.9%	27.8%	1.1%	17.8%	1.1%	90
Arizona	57.7%	17.8%	15.7%	2.2%	6.2%	0.4%	4,108
Arkansas	38.7%	23.4%	24.6%	1.9%	11.2%	0.2%	475
California	62.8%	14.2%	13.4%	3.0%	6.2%	0.3%	29,605
Colorado	43.8%	23.0%	22.2%	2.7%	8.2%	0.2%	2,044
Connecticut	54.4%	18.2%	16.2%	2.0%	8.7%	0.5%	1,705
Delaware	42.6%	20.0%	25.1%	1.9%	10.2%	0.2%	521
District of Columbia	42.7%	17.2%	25.0%	1.7%	12.5%	0.9%	232
Florida	62.8%	14.9%	12.9%	3.1%	5.7%	0.5%	13,707
Georgia	48.0%	19.9%	20.8%	1.9%	8.6%	0.8%	6,203
Hawaii	59.2%	15.2%	18.7%	1.2%	5.2%	0.5%	402
Idaho	52.4%	18.1%	21.5%	0.9%	6.6%	0.2%	557
Illinois	57.8%	16.2%	15.5%	2.0%	8.2%	0.4%	7,110
Indiana	38.6%	26.1%	22.0%	2.0%	10.8%	0.5%	2,184
Iowa	41.3%	23.9%	20.7%	1.5%	11.9%	0.7%	598
Kansas	42.5%	22.7%	22.3%	1.3%	10.5%	0.7%	534
Kentucky	39.5%	25.0%	21.4%	2.0%	11.5%	0.6%	855
Louisiana	40.0%	20.9%	23.5%	1.6%	13.7%	0.3%	1,186
Maine	44.8%	24.9%	16.9%	1.4%	11.5%	0.5%	366
Maryland	49.1%	19.1%	20.2%	1.9%	9.0%	0.7%	4,192
Massachusetts	54.4%	18.9%	16.7%	2.5%	7.4%	0.2%	2,550
Michigan	50.0%	19.9%	17.0%	4.5%	8.1%	0.7%	4,335
Minnesota	50.8%	19.9%	17.9%	3.1%	7.8%	0.6%	2,047
Mississippi	43.4%	18.6%	21.8%	3.3%	12.8%	0.2%	657
Missouri	45.5%	21.9%	21.2%	2.1%	8.9%	0.4%	1,810
Montana	48.3%	15.9%	24.3%	1.4%	9.6%	0.5%	209
Nebraska	40.6%	23.6%	20.8%	1.6%	13.5%	0.0%	318
Nevada	62.4%	15.5%	14.1%	2.2%	5.5%	0.3%	2,816
New Hampshire	52.0%	17.9%	20.2%	2.3%	7.2%	0.4%	525
New Jersey	55.0%	17.5%	18.7%	1.7%	6.8%	0.3%	4,721
New Mexico	43.8%	24.7%	21.2%	0.9%	9.0%	0.4%	566
New York	58.6%	17.0%	16.1%	1.8%	6.0%	0.5%	6,316
North Carolina	43.0%	21.9%	22.2%	1.9%	10.3%	0.6%	3,704
North Dakota	32.5%	17.5%	25.0%	5.0%	20.0%	0.0%	40
Ohio	42.7%	21.2%	21.4%	2.7%	11.4%	0.6%	3,455
Oklahoma	35.2%	24.4%	24.0%	2.0%	13.8%	0.6%	708
Oregon	55.4%	20.4%	14.6%	1.3%	7.9%	0.4%	1,400
Pennsylvania	44.7%	21.0%	21.0%	2.1%	10.8%	0.4%	3,531
Rhode Island	59.9%	15.4%	14.8%	2.0%	7.7%	0.2%	546
South Carolina	41.3%	22.7%	23.0%	2.1%	10.1%	0.7%	1,749
South Dakota	27.3%	20.8%	33.8%	0.0%	14.3%	3.9%	77
Tennessee	41.8%	22.3%	22.8%	2.2%	10.3%	0.6%	1,829
Texas	39.8%	22.5%	23.6%	1.0%	12.7%	0.4%	6,707
Utah	46.5%	21.8%	21.2%	1.0%	9.2%	0.3%	1,166
Vermont	43.8%	15.4%	26.9%	5.4%	8.5%	0.0%	130
Virginia	47.7%	21.0%	20.0%	2.9%	8.1%	0.4%	3,046
Washington	50.4%	20.7%	18.1%	2.5%	7.9%	0.5%	2,850
West Virginia	36.6%	20.1%	25.6%	4.4%	12.1%	1.1%	273
Wisconsin	47.2%	19.4%	20.7%	2.0%	10.0%	0.7%	1,534
Wyoming	30.3%	24.7%	32.6%	3.4%	9.0%	0.0%	89
Other	44.0%	28.0%	19.0%	1.0%	5.0%	3.0%	100

Table 56. Number of Re-Defaults for Loans Modified in the First Quarter of 2011
(60 or More Days Delinquent After 5 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total	8,260	5,339	7,015	661	5,278	160	26,713
Alabama	61	85	113	15	74	5	353
Alaska	8	5	5	0	3	0	21
Arizona	254	173	193	23	131	3	777
Arkansas	19	26	44	2	23	0	114
California	1,598	612	721	131	793	35	3,890
Colorado	101	85	117	11	64	3	381
Connecticut	100	60	78	10	62	2	312
Delaware	20	27	32	5	23	0	107
District of Columbia	15	6	10	4	10	1	46
Florida	1,106	416	473	54	420	21	2,490
Georgia	419	411	559	32	362	7	1,790
Hawaii	25	17	11	2	9	0	64
Idaho	39	18	30	5	24	2	118
Illinois	413	241	367	37	262	8	1,328
Indiana	125	147	162	13	113	1	561
Iowa	27	30	47	5	25	0	134
Kansas	37	38	37	6	22	0	140
Kentucky	40	44	67	7	40	1	199
Louisiana	66	82	99	5	72	3	327
Maine	22	15	17	2	13	0	69
Maryland	240	145	233	10	170	4	802
Massachusetts	135	58	94	14	78	3	382
Michigan	223	166	223	15	153	4	784
Minnesota	126	81	116	6	73	3	405
Mississippi	41	42	77	11	44	1	216
Missouri	123	109	114	9	74	0	429
Montana	14	4	11	2	4	0	35
Nebraska	17	15	21	0	9	0	62
Nevada	177	89	118	11	76	5	476
New Hampshire	29	10	27	1	12	3	82
New Jersey	290	174	224	16	207	8	919
New Mexico	26	26	22	1	26	0	101
New York	337	144	196	23	156	11	867
North Carolina	226	203	286	23	213	2	953
North Dakota	3	3	1	0	3	1	11
Ohio	172	188	284	16	194	2	856
Oklahoma	45	58	62	5	40	3	217
Oregon	71	45	57	11	43	2	229
Pennsylvania	235	168	231	16	139	5	794
Rhode Island	40	12	15	1	17	1	86
South Carolina	86	88	113	10	110	1	410
South Dakota	3	5	2	1	4	0	15
Tennessee	111	114	149	12	70	0	456
Texas	450	481	651	29	430	3	2,044
Utah	52	43	77	6	64	0	242
Vermont	3	5	3	0	5	1	17
Virginia	180	126	173	19	123	2	623
Washington	169	103	137	12	104	1	526
West Virginia	11	18	21	1	10	1	62
Wisconsin	116	67	85	11	78	1	358
Wyoming	5	5	5	0	4	0	19
Other	4	5	5	0	0	0	14

Table 57. Re-Default Rates for Loans Modified in the First Quarter of 2011 (Percentage)
(60 or More Days Delinquent After 6 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total	11.1%	18.3%	21.6%	13.6%	35.4%	22.8%	17.0%
Alabama	12.3%	22.1%	29.8%	30.0%	42.3%	62.5%	23.7%
Alaska	17.4%	20.8%	22.7%	0.0%	33.3%	0.0%	20.4%
Arizona	9.8%	19.0%	20.9%	14.6%	33.8%	18.8%	15.7%
Arkansas	9.7%	18.4%	26.8%	22.2%	36.5%	0.0%	19.9%
California	8.7%	14.1%	12.9%	12.1%	32.3%	17.3%	12.1%
Colorado	11.5%	16.5%	16.3%	7.6%	25.2%	30.0%	15.1%
Connecticut	11.8%	21.0%	19.3%	19.2%	31.3%	22.2%	17.4%
Delaware	9.5%	20.9%	19.3%	20.8%	34.8%	0.0%	17.9%
District of Columbia	12.1%	13.0%	11.9%	33.3%	31.3%	50.0%	16.4%
Florida	12.4%	18.8%	18.5%	10.8%	35.0%	28.8%	16.1%
Georgia	13.0%	21.3%	32.5%	20.1%	42.0%	22.6%	22.6%
Hawaii	9.5%	18.1%	15.1%	50.0%	25.0%	0.0%	13.5%
Idaho	13.5%	14.8%	21.1%	22.7%	39.3%	66.7%	16.5%
Illinois	11.2%	19.3%	22.9%	13.4%	34.9%	28.6%	17.5%
Indiana	16.9%	22.1%	27.6%	19.4%	34.6%	14.3%	23.0%
Iowa	12.3%	20.8%	30.3%	16.7%	27.8%	0.0%	20.9%
Kansas	16.2%	22.5%	24.0%	33.3%	35.5%	0.0%	22.0%
Kentucky	12.1%	19.4%	27.5%	14.9%	31.3%	20.0%	20.3%
Louisiana	14.0%	23.1%	30.2%	25.0%	40.2%	42.9%	24.0%
Maine	12.3%	18.8%	24.6%	50.0%	35.1%	0.0%	18.6%
Maryland	11.3%	17.1%	22.9%	8.1%	34.6%	16.2%	17.3%
Massachusetts	9.2%	12.9%	15.6%	12.8%	32.2%	18.8%	13.3%
Michigan	10.8%	16.2%	24.8%	10.6%	34.5%	22.2%	17.1%
Minnesota	10.4%	17.3%	23.7%	11.3%	34.6%	42.9%	16.6%
Mississippi	16.7%	20.9%	35.6%	35.5%	42.7%	100.0%	27.1%
Missouri	14.9%	20.8%	25.2%	21.4%	35.4%	0.0%	20.9%
Montana	16.9%	8.3%	21.5%	50.0%	15.0%	0.0%	17.0%
Nebraska	13.2%	15.3%	24.7%	0.0%	32.1%	0.0%	17.5%
Nevada	10.5%	18.3%	20.3%	12.8%	35.6%	35.7%	15.6%
New Hampshire	10.0%	10.2%	20.9%	6.3%	25.5%	60.0%	14.0%
New Jersey	11.3%	20.6%	20.9%	19.1%	38.0%	22.2%	17.6%
New Mexico	11.3%	17.3%	18.5%	12.5%	36.6%	0.0%	17.4%
New York	9.5%	14.7%	15.5%	10.3%	34.1%	23.9%	13.2%
North Carolina	13.3%	20.8%	26.9%	18.5%	41.8%	12.5%	21.7%
North Dakota	12.5%	20.0%	12.5%	0.0%	42.9%	100.0%	19.3%
Ohio	11.0%	17.9%	26.8%	10.7%	34.6%	28.6%	19.5%
Oklahoma	17.8%	24.4%	30.5%	23.3%	38.1%	60.0%	25.7%
Oregon	8.6%	15.6%	15.1%	13.8%	31.2%	16.7%	13.3%
Pennsylvania	14.7%	21.8%	26.8%	11.4%	32.0%	33.3%	20.8%
Rhode Island	11.9%	14.3%	18.3%	14.3%	33.3%	33.3%	15.3%
South Carolina	12.0%	21.5%	27.2%	22.2%	40.4%	12.5%	21.8%
South Dakota	8.8%	19.2%	8.0%	20.0%	30.8%	0.0%	14.6%
Tennessee	13.1%	21.1%	26.7%	27.3%	32.1%	0.0%	21.0%
Texas	14.5%	20.1%	29.2%	15.8%	40.6%	25.0%	22.8%
Utah	7.9%	13.6%	19.7%	11.8%	36.6%	0.0%	15.3%
Vermont	4.9%	23.8%	11.1%	0.0%	38.5%	100.0%	13.8%
Virginia	10.9%	16.7%	20.2%	15.2%	33.6%	16.7%	16.6%
Washington	11.7%	19.5%	16.3%	8.1%	35.4%	7.7%	16.1%
West Virginia	8.9%	29.5%	32.8%	10.0%	28.6%	33.3%	20.9%
Wisconsin	16.0%	19.6%	21.0%	16.2%	37.9%	14.3%	20.5%
Wyoming	11.9%	27.8%	17.9%	0.0%	20.0%	0.0%	16.7%
Other	10.8%	20.8%	31.3%	0.0%	0.0%	0.0%	18.2%

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Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

February 22, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson:

Enclosed please find my responses to the questions for the record submitted following the December 6, 2011, hearing on *"Continued Oversight of the Implementation of the Wall Street Reform Act."*

I hope the information provided is helpful to the Committee. If you have questions or need additional information, please contact Carrie Moore, Deputy Director for Congressional Liaison, at 202-874-1881.

Sincerely,

John Walsh

John Walsh
Acting Comptroller of the Currency

Enclosure

<u>Questions for Mr. John Walsh, Acting Comptroller of the Currency, Office of the Comptroller of the Currency, from Ranking Member Shelby:</u>

Comptroller Walsh, in your testimony you discuss the Dodd-Frank requirement that the Bureau of Consumer Financial Protection and prudential regulators coordinate their supervision activities in order to effectively regulate banks. You note that the Bureau must consult with prudential regulators and that the Bureau and prudential regulators are required to conduct examinations simultaneously. You state, however, "Candidly, aspects of this portion of the Dodd-Frank Act do not mesh well with how bank examination activities are actually conducted."

- **Would you please elaborate on this statement?**

  Section 1025 of the Dodd-Frank Act requires the prudential regulators and the CFPB to coordinate their examination and supervision of insured depository institutions and their affiliates with assets of more than $10 billion in a number of ways. First, section 1025 requires the prudential regulators and the CFPB to coordinate their examinations of such institutions and conduct simultaneous examinations unless an institution requests the examinations to be conducted separately. In addition, the prudential regulators and the CFPB must share draft reports of examination and the receiving agency must be provided at least 30 days to comment on the draft report before it is made final. Moreover, an agency must take into consideration any comments received from the other agency before issuing a final report of examination or taking supervisory action.

  We support the goal reflected in section 1025 of minimizing unnecessary regulatory burden in connection with the supervisory activities of the CFPB and the prudential regulators. However, as drafted, the requirements of section 1025 do not mesh well with the practicalities and scope of prudential regulators' actual examination responsibilities and practices. First, the universe of institutions with over $10 billion in assets are examined in different ways – some are subject to continuous supervision by resident exam teams, others are subject to more discrete point-in-time exams. These differences present challenges in coordinating "simultaneous" examinations. The scope of the prudential regulators' examinations also is much broader than the examination authority of the CFPB such that "simultaneous" examination activity could have little relevance to the apparent statutory objective unless the examination activity is related to the same activity, product or service at an institution.

  The banking agencies and the CFPB are currently discussing a potential Memorandum of Understanding that would better synchronize exam activities in such related areas.

"Continued Oversight of the Implementation of the Wall Street Reform Act"
December 6, 2011

The agencies have submitted a proposed Volcker rule with over 1,300 questions, making it more of a concept release than a proposed rule. Additionally, the CFTC has not yet proposed its version of the Volcker Rule and might offer a competing version.

- **Given the complexity of the issues involved and that the CFTC has not signed on, do you anticipate extending the comment period?**

  Due to the complexity of the issues involved and to facilitate coordination of the rulemaking among the responsible agencies as provided in section 619 of the Dodd-Frank Act, the OCC, Board, FDIC and SEC (the agencies) extended the comment period on the joint notice of proposed rulemaking implementing section 619 (the Proposal) from January 13, 2012 until February 13, 2012. The notice of extension of comment period was published in the *Federal Register* on January 3, 2012. *See* 77 Fed. Reg. 23.

- **Do you anticipate doing a re-proposal?**

  The agencies will consider this question after they have had an opportunity to review all comments submitted on the Proposal and have evaluated the extent of changes that they envision making to the Proposal.

- **The agencies missed the October 18th statutory deadline for adopting a final Volcker rule, and despite agency delays, the rule is still scheduled to go into effect in July 2012. The Dodd-Frank Act had contemplated at least a nine month timeframe of advance preparation for compliance. Do you believe there will be sufficient time for banking entities to adjust to all of the changes imposed by the rule?**

  Much of the timing for compliance with the final Volcker regulation is dictated by section 619 of the Dodd-Frank Act. Section 619 goes into effect on July 21, 2012 (even without final rules), and provides a two-year conformance period that runs until July 2014. Banking entities may use this conformance period to bring their existing activities, investments, and relationships into compliance with section 619. In addition, section 619 provides that banking entities may request up to three one-year extensions of this conformance period from the Federal Reserve Board and another 5-year extension from the Board to divest of certain illiquid funds.

  On February 8, 2011, the Board issued a Conformance Rule implementing the conformance provisions of section 619. However, the Conformance Rule was re-issued on November 7, 2011, together with the Proposal issued by the agencies, and the Board is soliciting comment on whether any portion of the Conformance Rule should be revised in light of other elements of the Proposal.

We also recognize that the Proposal (including its compliance program requirements and recordkeeping and reporting requirements), if adopted as published for comment, would become effective on July 21, 2012. Recognizing the potential issues this presents, the Proposal specifically solicits comment on whether this effective date will provide banking entities with sufficient time to comply with the prohibitions and restrictions on proprietary trading and covered fund activities and implement the proposed compliance program and reporting and recordkeeping requirements. The agencies plan to consider carefully any comments received on this issue.

- **Would it make sense to phase in the implementation of the rule, so as to identify potential market disruptions caused by any single element of the rule?**

  The Proposal expressly requests comment on whether the agencies should use a gradual, phased-in approach to implement the statute rather than having the implementing rules become effective at one time and asks banking entities to identify prohibitions and restrictions that should be implemented first, if the agencies choose to implement a phased-in approach. We plan to consider carefully any comments received on this issue.

- **There is ample precedent for a phase-in, such as implementation of Regulation NMS. Do you believe the Volcker Rule calls for a similar phased-in approach?**

  The Proposal solicits comment on this issue and the agencies plan to carefully consider any comments received on the merits of a phased-in approach.

<u>Questions for Mr. John Walsh, Acting Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Crapo:</u>

Last week the House Financial Services Committee passed unanimously a bill that exempts end-users from margin requirements. Proposed margin rules ignore the clear intent of Congress that margin should not be imposed on end-user transactions. Do you all agree that end-user hedging does not meaningfully contribute to systemic risk, that the economy benefits from their risk management activity and that they should be exempt from margin requirements, and are you working together to provide consistent rules to provide end-users with a clear exemption from margin requirements?

We agree that end-user hedging does not meaningfully contribute to systemic risk, and that the economy benefits from risk management activity. As the agencies stated as part of the rule proposal, nonfinancial end user hedging typically poses minimal risk to U.S. financial stability, particularly in the case of small margin exposures. (76 Federal Register 27564, 27570 (May 11, 2011).

However, swaps with a commercial end user do expose the dealer to credit risk, similar to an unsecured line of credit. The banking agencies have long required dealers to prudently manage this credit risk, in combination with their credit risk management measures for other credit exposures to the same end user. Banks have legal lending limits to ensure that they do not have potentially dangerous concentrations of risk with a single counterparty. Derivatives exposures are simply another use of those limits. While end-user activity has not historically contributed meaningfully to systemic risk, it has led to credit losses. Banks report charge-offs of derivatives exposures nearly every quarter. They are typically related to swaps with commercial borrowers, who indeed have used swaps as a hedge. Hedging by commercial end users does not necessarily translate into lower counterparty risk, nor for that matter does it insulate a business from poor operating or investment decisions that can lead to failure.

The proposed margin requirements were designed to incorporate this existing safety and soundness practice, to prevent unusually large credit exposure to a commercial end user in the form of swaps from going unmanaged, by requiring margin when the dealer's credit exposure from swaps exceed the bank's internal credit limit for the counterparty.

We received a number of comments, both from the industry and commercial counterparties, expressing concern about this aspect of the proposal. We did not intend our proposal to signal a change from current practices in this regard. Credit exposure from swaps with a commercial counterparty is typically a relatively small part of the overall credit relationship to the firm, and banks rely on their credit risk management process to keep the complete exposure within the internal credit limit. As we proceed with developing a final rule, we will be careful to take the views of these commenters into account.

Questions for Mr. John Walsh, Acting Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Toomey:

Could you please explain the effect on banks, especially community banks, if the SEC's municipal adviser proposal is finalized as written? For example, there will clearly be duplicative examinations and regulations. Do you think there is need for this duplication, or are there areas that the SEC would review that bank regulators do not? What do you think the costs and potential consequences of such duplicative examination would be?

As proposed, the SEC's municipal advisor rules apply not only to previously unregulated activities, but also to banks that provide traditional banking products and services to municipalities. Banks would be subject to ongoing supervision, examination, and enforcement by the SEC simply by providing municipalities with advice on traditional banking activities such as deposit accounts, savings accounts, certificates of deposit, bank loans and letters of credit, and trust and fiduciary services. Banks are already subject to ongoing supervision, examination, and enforcement by the OCC and other federal banking regulators for these same activities. Duplicative regulation and supervision of traditional banking activities is unnecessary and may be especially burdensome on smaller, community institutions. These concerns were included in the attached comment letter from John Walsh, Acting Comptroller of the Currency, dated May 24, 2011, on the SEC's Proposed Regulation of Municipal Advisors, File No. S7-45-10.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

March 9, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Johnson:

I am pleased to be able to respond to the written questions for the record that Committee members provided following the December 13, 2011 hearing entitled, "Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews."

Since that hearing, the Office of the Comptroller of the Currency (OCC) has continued to make progress on implementing our enforcement actions, and I'd like to highlight briefly a few of those areas.

- Pursuant to the enforcement actions we took in April 2011, major changes are being made to the servicing and foreclosure practices of the national banks and federal savings associations subject to those orders. The Enforcement Orders (Orders) also require the servicers to devote considerable resources to the Independent Foreclosure Review, which is designed to identify borrowers who suffered financial harm as a direct result of the practices identified in the Orders, and to provide financial remediation for that harm. Together with the Federal Reserve Board, we expect to release comprehensive guidance on standards for remediation later this month.

- One of our key concerns has been to make sure that all borrowers who were in any stage of foreclosure during 2009 and 2010 understand that they are eligible to have their case reviewed. Toward that end, we have required the servicers to develop a media plan that includes a nationwide advertising campaign targeted toward those publications most likely to reach eligible borrowers. We consulted with community and housing advocates, and incorporated many of their suggestions in expanding the media plans and revising the ads that were used. Based in part on comments from these advocates, the OCC worked with the servicers to expand their media plan to include Spanish-language placements in key markets as wells as publications serving minority populations.

- The OCC has conducted its own media outreach, including press releases, press interviews, and a public service advertisement (PSA) campaign. The PSA campaign includes a feature article describing the Independent Foreclosure Review and two 30-second radio spots, produced in English and Spanish, distributed to more than 10,000 small print publications and 6,500 small, local radio stations. Through March 7, the PSAs have run 515 times in 29 states. The total potential combined readership and listening audiences exceeds 51 million.

- To provide additional time to increase awareness of the Independent Foreclosure Review, the OCC and the Federal Reserve on February 15 extended the deadline for requesting a review by three months, from April 30, 2012 to July 31, 2012.

- The OCC and the Federal Reserve are also facilitating educational and awareness outreach meetings with housing advocacy groups, including two nationwide webinars held for housing counselors to increase awareness of this effort.

- More than four million letters were sent to eligible borrowers who were customers of OCC-supervised institutions, and only about 5.6 percent have proven to be undeliverable. This low undeliverable rate is a result of effective efforts to identify current and accurate addresses of potentially eligible borrowers including a three-step tracing process. One of the goals of the continued media outreach and advertising campaigns is to get the word out to those who were not reached by mail. Most recently, a major national bank servicer has provided funding to 11 community organizations that will assist in reaching borrowers eligible for an independent review.

- The Independent Foreclosure Review.com Web site was significantly enhanced on March 2 to allow borrowers to complete their Request for Review forms online, which should also facilitate the filing of requests for review.

- As of March 4, 113,894 borrowers have requested an independent review of their foreclosure case, and that number will likely grow in the months ahead as a result of continued outreach and the extended deadline. In addition, nearly 136,000 files have been selected so far in the "look-back" file review required under our Orders, which means at least a quarter-million cases are currently slated to be reviewed. At present, nearly 116,000 files of national bank and federal savings association servicers are under review.

This is a massive undertaking. After all the work we did in the OCC foreclosure process examinations in the latter part of 2010 to establish the case for our Enforcement Orders, the work of more than 100 seasoned examiners over four months resulted in actual review of 2,400 files. By comparison, the "look-back" review and coordinated claims effort required by our Orders now involve more than a quarter million cases and growing, and will require thousands of reviewers.

I hope the information provided in the responses that follow prove helpful to the Committee. If you have questions or need additional information, please contact Carrie Moore, Deputy Director for Congressional Liaison, at 202-874-4844.

Sincerely,

Julie L. Williams
First Senior Deputy Comptroller and Chief Counsel

Enclosure

Questions for Ms. Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, from Senator Merkley:

With regard to the Independent Foreclosure Review, we would appreciate responses to the following questions:

- **Given the difficulties of reaching all eligible homeowners, will the OCC consider extending the deadline for applications beyond April of 2012?**

  On February 15, 2012, the OCC and the Federal Reserve announced an extension of the deadline for individuals to request a review under the Independent Foreclosure Review. The new deadline is July 31, 2012, and provides an additional three months for borrowers to request a review. The deadline extension provides more time to increase awareness of how eligible borrowers may request a review through this process, and to encourage the broadest participation possible.

- **Is it correct that homeowners will be evaluated only for those "boxes" they check – even if they were to mistakenly check the wrong box?**

  The purpose of the background questions is to assist borrowers in communicating how they believe they were financially harmed. The independent consultants will focus their review on these areas to ensure that the borrowers' specific concerns are evaluated. To the extent borrower descriptions are incomplete, inadequate or vague, independent consultants will treat such claims as a "generalized" complaint subject to a full scope review. In addition, we have instructed independent consultants that all servicer errors identified during the file review that resulted in financial injury must be remediated as appropriate.

- **Homeowners applying for a loan modification can be financially harmed simply due to servicer delays in processing their application. Will such delays be considered to constitute "financial harm?"**

  The OCC and the Federal Reserve are in the process of finalizing the financial remediation framework. As part of that, we have considered how to incorporate into the framework financial injury resulting from servicer delays in processing borrower applications for loan modifications in cases where there was a requirement to process a completed application within a specified timeframe (i.e., under HAMP) that was not met. We expect to be able to release this remediation framework in March.

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- **One of the consultants who testified on December 13 suggested that cases where a homeowner lost his or her home through a process that included robo-signing of affidavits would not necessarily have suffered any financial harm. Will the remediation construct being developed by the OCC recognize financial injury when a homeowner is thrown out of his or her home due to the illegal robo-signing of affidavits?**

  The remediation framework being developed by the OCC and the Federal Reserve is designed to remediate direct financial injury suffered as a result of errors, omissions or misrepresentations by the servicers. If the independent consultant determines that there was direct financial injury suffered as a result of robo-signing of affidavits, then, pursuant to plans that must be approved by the OCC, the servicer will be required to remediate such harm. However, the act of robo-signing alone does not in and of itself constitute direct financial injury that is compensable under the Independent Foreclosure Review.

- **The remediation construct that will direct the consultants will play a pivotal role in determining the amount of compensation homeowners will receive. How soon will you be able to share a copy of that document with our office?**

  The OCC expects the remediation framework will be completed in March. We plan to make it publicly available at that time.

- **Will homeowners be provided access to the remediation framework?**

  See answer above.

- **Would the OCC allow a homeowner to lose their home during the time they are waiting for a review and determination of their case?**

  The OCC has issued guidance to the independent consultants and servicers to try to prevent any borrower who is receiving an independent foreclosure review from losing their home without their file first receiving an independent review or a pre-foreclosure sale review. All borrower requests and other files selected for an independent foreclosure review will be monitored on at least a weekly basis to determine if a foreclosure sale is scheduled. The independent consultants will prioritize their review of these requests and files according to the scheduled foreclosure sales date. Additionally, servicers, subject to independent consultant testing and validation, will be required to promptly review all borrower requests for an independent foreclosure review and borrower submitted documentation, to determine if a scheduled foreclosure sale should be postponed, suspended or cancelled. Servicers, after being notified of a borrower request for review, also must promptly determine whether the borrower is currently in an approved active loss mitigation program or is being actively considered for a HAMP or other modification or loss mitigation program and whether further foreclosure proceedings and/or scheduled foreclosure sales should be postponed, suspended or cancelled as required by the applicable program standards. We encourage borrowers who believe they have a basis to submit a request for review and are facing foreclosure to submit their requests as soon as possible and to also continue with their foreclosure prevention efforts directly with the servicer, since submission of the request for review form just prior to foreclosure sale may not allow for sufficient time for the above checks to be completed.

- **What provisions will OCC make for direct interactions between the homeowner and the reviewer of their application?**

The independent consultants will review all information submitted by the borrower as well as information provided by the servicer as included in the borrower's file. Independent consultants may exercise their judgment, consistent with the terms of their engagement, in deciding whether additional information is needed from a borrower to conduct their review.

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Questions for Ms. Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, from Senator Menendez:

How many third party consultants were submitted by the servicers to OCC for review, and of those, how many were rejected by the OCC for conflicts of interest? Specific names are not necessary.

With respect to third party independent consultants and independent counsel that were subject to non-objection under the April 13, 2011 Consent Orders, the OCC and OTS rejected 12 separate firms: two proposed independent consultants and ten proposed independent counsel because they did not satisfy independence criteria (one rejected consultant was proposed under the Consent Order between the OCC and MERS). We also understand that one other consultant withdrew its name from consideration after independence concerns were raised.

How many of the third party consultants are currently doing other work for the servicers that is unrelated to mortgages or foreclosures? Specific names are not necessary.

With respect to the national bank and federal savings association servicers, eight consultants have current engagements with the servicers, and four do not.

How many of the third party consultants formerly did other work for the servicers that was unrelated to mortgages or foreclosures? Specific names are not necessary.

Most of the independent consultants have done some work for the servicers at a previous time.

Can the OCC extend the deadline for homeowners past April to allow more time for those who are just hearing about it through the media campaign to submit claims? If not, please specify why maintaining the April 30, 2012 deadline is necessary.

On February 15, 2012, the OCC and the Federal Reserve announced an extension of the deadline for individuals to request a review under the Independent Foreclosure Review. The new deadline is July 31, 2012, and provides an additional three months for borrowers to request a review. The deadline extension provides more time to increase awareness of how eligible borrowers may request a review through this process, and to encourage the broadest participation possible.

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What outcome will the OCC view as success? Will this effort be successful if 2% of eligible borrowers seek a review, for example?

Due to the unique nature of this process, i.e., the number of borrowers who suffered financial injury within the scope of the OCC's orders is unknown, there is no ready yardstick by which to measure success based on any expected percentage of returns. The OCC is reviewing all relevant data, including the reach of borrower outreach efforts, to determine whether an effective outreach campaign was launched. The file review, which is separate from the coordinated complaint process, is an equally important part of the foreclosure review process and provides another means for identifying financially harmed borrowers. In evaluating the reach of the entire process, both efforts in combination must be considered.

What are the fair housing implications of the review period the OCC selected (2009-2010)? The earliest loans to go through foreclosure were subprime loans, many of which were targeted to communities of color, yet those folks are left out of this review for no apparent reason. Please provide data comparing the racial statistics of homeowners who were foreclosed on during the 2009-2010 period compared to the years immediately preceding that.

The OCC review period includes all borrowers who were in any stage of the foreclosure process during 2009-2010, including "pending" foreclosures, regardless of when the foreclosure action was initiated. Thus, borrowers who started the foreclosure process in 2008 (and in some cases in 2007) whose foreclosures continued to be in process as of 2009 will be covered under the review, as well as those borrowers whose foreclosures began in 2009 and 2010 and are still in the process today.

We do not have available the statistics on the racial composition of homeowners who were foreclosed on during the 2009-2010 period, compared to the years immediately preceding that period.

Will the OCC set up a system to collect claims requests from borrowers who were in the foreclosure process either earlier or later than their limited scope of review? What will happen to complaints that come in from borrowers whose foreclosures may have been improper, but were completed before January 1, 2009 or initiated after December 31, 2010?

The OCC foreclosure review and remediation process is being conducted pursuant to the terms of the April 13, 2011 Consent Orders and accordingly covers borrowers who had pending or completed foreclosures in the period of 2009 to 2010. Complaints submitted that are out-of-scope where the borrower has raised concerns that his or her foreclosure may have been improper can be referred to the servicer's customer complaint channels, and the borrower may also contact the OCC's Customer Assistance Group. See www.helpwithmybank.gov, to submit a formal complaint.

How will the OCC ensure that all homeowners are reviewed for all financial injury, regardless of which boxes they check?

The purpose of the background questions is to assist borrowers in communicating how they believe they were financially harmed. The independent consultants will focus their review on these areas to ensure that the borrowers' specific concerns are evaluated. To the extent borrower descriptions are incomplete, inadequate or vague, independent consultants will treat such claims as a "generalized" complaint subject to a full scope review. In addition, we have instructed independent consultants that all servicer errors identified during the file review that resulted in financial injury must be remediated as appropriate.

As Senator Reed suggested at the hearing, can the OCC request that the independent consultants report the exact nature of any engagements they have with the servicers? I request that you do that for a period of 3 years following the completion of the reviews, and that the OCC submit that information to Congress, including this Housing Subcommittee.

The OCC considered existing engagements for the firms who serve as independent consultants prior to issuing non-objections for each firm. Neither the independent consultants nor the servicers were placed on notice at the time of their engagement that they would be subject to any ongoing restrictions or monitoring with respect to future engagements. We also do not have generalized authority to impose reporting requirements on the independent consultants following the conclusion of their work on the foreclosure reviews. This information could be accessible to the OCC through the supervisory process; however, since it would constitute otherwise confidential supervisory information and could be considered proprietary information, we would need to further discuss if such information could be made available.

What additional steps can the OCC mandate of servicers to improve contact rates with borrowers? What are the most effective methods of outreach so that borrowers will respond to solicitations?

As required by the OCC and the Federal Reserve, the servicers prepared an extensive national media campaign, launched last November, to advise borrowers about the Independent Foreclosure Review process and the ability to submit a Request for Review form. The OCC has also met with community and housing advocates to discuss additional potential methods to reach eligible borrowers. Based on those meetings, the OCC required that the servicers increase the scope of their media campaign to reach additional demographic groups and to make information available in additional languages other than English, which the servicers have agreed to do. The OCC also made use of its Public Service Announcement campaign in January to highlight the

Independent Foreclosure Review. And as noted previously, the OCC has extended the deadline for the submission of Request for Review forms until July 31, 2012, which will provide additional time for servicers to contact borrowers. The OCC will continue to monitor return rates subsequent to the advertising launch and will make determinations whether additional media is necessary at that time.

The OCC is also encouraging servicers to provide resources to housing counselors to help make borrowers aware of the opportunity to take advantage of the Independent Foreclosure Review and, where needed, to assist those borrowers during the process. Bank of America has already funded an initiative to engage recognized HUD-approved counseling intermediaries to support enhanced outreach to customers who may be eligible for the Independent Foreclosure Review and to provide help in completing the application. The initiative supports 11 HUD-approved intermediary agencies (who are also National Foreclosure Mitigation Counseling fund recipients) and their nonprofit affiliates and is designed to support grass roots visibility to reach as many eligible customers as possible including low and moderate-income, multicultural and those who may be experiencing language barriers. The outreach will include: mailings and outbound calling directed at customers believed to be eligible for the foreclosure review; traditional grass roots outreach events to provide information to individuals and families; and other activities designed to communicate information to the community, such as newsletters, Web sites, PSAs, and purchased ads. These organizations will also manage two toll free numbers (one aimed at Spanish speaking borrowers) and will assist borrowers in requesting and completing the Request for Review form, including assembling supplemental information and documents as necessary.

What role will the courts play in this foreclosure review process? Are the consent orders for example approved by a court?

The OCC's Consent Orders are not subject to court approval and are issued pursuant to the OCC's enforcement authority under 12 U.S.C. §1818. However, the OCC may file an action in the appropriate federal district court for injunctive relief to enforce the Orders if the servicers do not comply with them.

Why were these consent orders done under the OCC's safety and soundness powers and not under consumer protection powers? If this review process may be irreparably tainted by bias of the consultants and the entire manner in which the OCC set up these reviews, why shouldn't the Consumer Financial Protection Bureau take over this whole foreclosure review process since the primary basis for the consent orders is really consumer protection?

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The deficiencies identified through the horizontal examinations of the largest national bank servicers raised serious safety and soundness issues rising to the level of unsafe and unsound banking practices. As such, it is entirely appropriate for the OCC, as the servicers' prudential regulator, to take action to ensure that those unsafe and unsound practices are promptly corrected. The jurisdiction of the Consumer Financial Protection Bureau does not include unsafe and unsound banking practices, thus it would be inappropriate for them to take over the foreclosure review process or any other aspect of the actions required to comply with the Consent Orders.

You stated in your testimony that it has not been decided whether homeowner would have to give up their legal rights to other remedies if they apply for this program or take any money, even a small amount. Given the inherent biases of the consultants who are conducting these reviews, why should homeowners have to give up their right to have their case reviewed by a court? Unlike the consultants, the court is truly an independent third party.

With respect, we cannot concur with your statement that the consultants have "inherent biases" that will impact the independent reviews. Our experience to date with the independent consultants simply does not support that characterization.

No final decisions on the issue of releases have been made at this time by the OCC. Should any form of release be permitted, however, borrowers will always be given a choice to either accept the offer of remediation or to reject the offer and pursue their claims in alternative venues, including the courts. The issue is simply one of avoiding duplicative compensation for the same injury and achieving closure in connection with at least some issues in the mortgage/foreclosure crisis arena.

The OCC banned the practice of proceeding with foreclosure where the bank already agreed to a loan modification with the homeowner, but why specifically did the OCC not ban the practice of proceeding with foreclosure when the borrower had already requested a modification and the bank hasn't yet responded? Not banning the latter creates great confusion for homeowners and can easily lead to the kinds of illegal foreclosures these Consent Orders are supposed to remedy.

The OCC's Consent Orders require servicers to implement procedures under approved action plans to ensure that no further foreclosure or legal action predicate to a foreclosure occur when the borrower's loan has been approved for a trial or permanent modification, unless the borrower is in default on the terms of the trial or permanent modification. It was also contemplated under the Orders that servicers will be required to revise action plans to comply with any higher standards that might be required by developing national servicing standards, other negotiated settlements or contractual agreements, including those subject to the National Mortgage

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Settlement, or in some respects, new requirements imposed by the GSEs. It is important to recognize, however, that contractual requirements and requirements imposed by other sources will affect how new higher standards can be implemented in practice.

Will these Consent Orders interfere in any way with the actions currently underway by the Department of Justice and state Attorneys General? The Federal Reserve and FDIC have said they do not intend to do that, am I correct that the OCC also does not intend to do that?

That is correct. For over a year, the OCC has been in close communication with Department of Justice (DOJ) officials as settlement negotiations have progressed. The Consent Orders do not interfere with the National Mortgage Settlement announced by DOJ, other federal agencies and state Attorneys General.

Ms. Cohen in her testimony cites several examples of harm to borrowers that are not included in your examples, such as servicer delay, the cost of being placed in a proprietary modification instead of a HAMP one, and the cost of an improperly damaged credit score. Senator Merkley also gave the example of robosigning. Will each of those four examples be treated as "financial harm" to the borrower too? Please address each of those four examples in detail. In addition to instructing the servicers to correct the credit score, will homeowners be compensated for past financial injury occasioned by a poor credit score, such as lost employment, lost alternative housing, higher insurance and credit costs? What steps will the OCC take to ensure that credit scores are corrected in a timely way?

The OCC and the Federal Reserve have considered these examples and others as we work to finalize the financial remediation framework. As discussed above, we have contemplated how to incorporate into the framework financial injury resulting from servicer delays in processing borrower applications for loan modifications in cases where there was a requirement to process a completed application within a specified timeframe (i.e., under HAMP) that was not met. The framework will also address direct financial injury resulting from a wrongful denial of a HAMP loan modification in the case where the borrower qualified for another modification but suffered financial injury as a result of the wrongful denial; and it will address damage to credit scores resulting from servicer error. With respect to robo-signing, as discussed above, in cases where the independent consultant determines that there was direct financial injury suffered as a result of robo-signing of affidavits, then there will be remediable harm. However, the act of robo-signing alone does not in and of itself constitute direct financial injury that is compensable under the Independent Foreclosure Review.

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How will you ensure uniformity of remedies across servicers? Your reference in your testimony to "baseline" rules for compensation that didn't have to be followed by the third party consultants was disturbing and could lead to wildly inconsistent results for similarly situated homeowners. When will you release full guidance as to how financial compensation will be calculated for borrowers?

The remediation framework currently being finalized by the OCC and the Federal Reserve will provide types and amounts of remediation expected under several scenarios. The remediation framework will assure consistency in the remediation provided to similarly situated borrowers who suffer similar injury. The remediation framework has been referred to as "baseline" standards, because if the independent consultant or servicer proposes to offer remediation above what is set forth in the framework for a particular borrower or groups of borrowers, the OCC would not object. There is also a need to provide the independent consultants with some amount of flexibility to determine whether a different type or amount of compensation may be required to address the borrower's direct financial injury under a borrower's particular circumstances. The remediation framework is expected to be released in March 2012.

Under current policy, the OCC is directing servicers and their independent consultants to escalate the review of certain borrower claims when the borrower's home is scheduled for a near-term foreclosure sale. As I understand it, borrowers will qualify for an escalated review if their foreclosure is 30 days away (this timeframe may be extended for borrowers where the independent review may take longer to complete). Will the OCC make public the specific timetables, at each servicer, where borrowers will qualify for an escalated review? Will the OCC consider prohibiting servicers from proceeding to a foreclosure sale in certain circumstances? Can the OCC guarantee that servicers will not complete any foreclosure sales while the escalated review is still pending? Will post-foreclosure review really be sufficient to address their concerns after they've already lost their homes? I'm concerned that most homeowners will not be expecting to lose their homes while they are awaiting a decision and most will likely assume that in applying for the program their foreclosure will be stopped until the review process is over.

The OCC has issued guidance to the independent consultants and servicers to try to prevent any borrower who is receiving an independent foreclosure review from losing their home without their file first receiving an independent review or a pre-foreclosure sale review. All borrower requests and other files selected for an independent foreclosure review will be monitored on at least a weekly basis to determine if a foreclosure sale is scheduled. The independent consultants will prioritize their review of these requests and files according to the scheduled foreclosure sales date. Additionally, servicers, subject to independent consultant testing and validation, will be required to promptly review all borrower requests for an Independent Foreclosure Review and borrower submitted documentation to determine if a scheduled foreclosure sale should be postponed, suspended or cancelled. Servicers, after being notified of a borrower request for review, also must promptly determine whether the borrower is currently in an approved active loss mitigation program or is being actively considered for a HAMP or other modification or loss mitigation program and whether further foreclosure proceedings and/or scheduled foreclosure sale be postponed, suspended or cancelled as required by the applicable program standards. We encourage borrowers who believe they have a basis to submit a request for review and are facing foreclosure to submit their requests as soon as possible and to also continue with their foreclosure prevention efforts directly with the servicer, since submission of the request for review form just prior to foreclosure sale may not allow for sufficient time for the above checks to be completed.

Why hasn't the OCC already released the full guidelines (other than the approximately 22 examples) to the public for what constitutes "financial harm" to a borrower? Am I correct that a more comprehensive definition and examples could easily be released without releasing any proprietary information? When will the OCC do that? If you don't release the full guidelines, then how are borrowers supposed to know if what happened to them will qualify for relief or not? That seems to me like really basic information that you should have released in November before you started sending letters to homeowners. I'm deeply concerned about the inadequate reference in your testimony to merely "supplemental guidance" and that the OCC just isn't getting the message that full public transparency is absolutely essential to having any public confidence in these reviews, especially since the OCC has already tainted the reviews with its decision to allow banks to choose their own judges.

The OCC and the Federal Reserve expect that the final remediation framework, which will provide types and amounts of remediation expected under various scenarios, will be complete in March. We plan to make it publicly available at that time.

How will the OCC conduct oversight of consultant activities? What actions will it take if it finds their performance lacking or if it finds that they are doing what's in the best interests of the big banks instead of what's in the public interest? Will there be a process where the first line of reviewers at the consultants can directly contact the OCC about these problems without going through their supervisors at the consultants or any other layers of bureaucracy?

OCC oversight of all independent consultants involved in the foreclosure review process is conducted on a two tiered level. OCC examiners regularly review and discuss consultants' work, often on-site at individual institutions, and discuss activities and findings with OCC senior managers on an ongoing basis. At an agency-wide level, OCC senior managers meet separately each week with the independent consultants, the Federal Reserve staff, and the servicer consortium to discuss progress, issues, and challenges. The independent consultants have been provided multiple direct points of contact with OCC supervisors in our Washington, DC, headquarters as well as onsite OCC supervisors at each institution and are encouraged to raise any issues of concern. OCC senior managers also meet periodically with community and housing advocates and other federal agencies to discuss the Independent Foreclosure Review process.

Full and timely compliance with the Consent Orders will help ensure that both the industry and the public interest are well served going forward. If the OCC determines timely compliance with Consent Order requirements is hindered due to shortcomings in individual consulting firm performance, several steps can be taken. They range from providing the applicable firm a notice of opportunity to improve, to requiring the servicer to terminate the contract and replace the firm.

Will the OCC consider establishing an ombudsman to handle borrower complaints about the independent foreclosure review process? What is the process for borrowers who file complaints about the handling of their cases by the consultants?

The Independent Foreclosure Review is a process established pursuant to the Consent Orders. It is not subject to an appellate type review of individual decisions by the OCC's Ombudsman; however, the OCC will take into consideration complaints received about how the process is being conducted in its oversight of the independent consultants and servicers pursuant to the Consent Orders.

How will the OCC conduct oversight of servicers who are not providing the consultants with complete and accurate information in a timely manner?

OCC examiners regularly review and discuss the independent consultants' work, often on-site at individual institutions, and discuss activities and findings with OCC senior managers on an ongoing basis. OCC senior managers meet each week with the consultants, and have provided the consultants multiple direct points of contact with OCC supervisors and onsite examiners to raise any issues of concern. The OCC closely monitors the status of file reviews performed by the independent consultants from intake to final conclusion. The OCC will immediately address any identified impediments to the Independent Foreclosure Review process. Should any servicer fail to provide the consultant with complete and accurate information in a timely manner, the OCC will address the issue immediately and directly with the servicer.

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Some of the engagement letters between servicers and their independent consultants invoke attorney-client privilege and attorney work product privilege over the whole process and confidential treatment of the engagement letter itself. In fact, all servicers used their general counsel's office to engage the independent consultants and outside counsel, and some servicers name their general counsel as project lead. Some servicers engaged additional outside legal counsel for the review directly rather than through the primary consultant. So, given all of this information, does an attorney-client privilege exist between any of the servicers subject to the consent orders, or any of their employees, and the independent consultants or outside counsel retained by them? How does such attorney-client privilege interact or interfere with the responsibilities that consultants have to the OCC? Will this attorney-client privilege at all limit what information will be made public?

By statute, the OCC has complete and unfettered access to all of the books and records of the servicers, including documents created by the independent consultants in connection with the foreclosure review, regardless of whether or not they are privileged. Therefore, claims of privilege have no impact on the responsibilities that the consultants have to the OCC. Additionally, the OCC required the servicers to waive attorney-client privilege between them and the law firms that were hired to advise the independent consultants if the servicer engaged the law firm and paid the firm's fees directly. While some servicers engaged the independent counsel via an engagement letter signed by their general counsel and asserting various privileges, this does not create a legal impediment to either the regulators' or the consultants' access to information and documents maintained by the servicers concerning the foreclosure review.

In their testimony, the Federal Reserve Board commits to imposing fines on servicers found to have acted improperly. Will the OCC commit to doing the same? When the results come out, what factors will you be considering in deciding whether and how much of a monetary penalty to impose on servicers? Suppose for example that a homeowner got charged $5,000 in illegal fines. It seems to me that asking the bank to give back the $5,000 to the homeowner alone doesn't provide sufficient deterrence and that the bank should be fined multiple times that amount to discourage that illegal behavior in the future. Do you agree with that assessment?

On February 9, the OCC announced agreements in principal with Bank of America, Citibank, JP Morgan Chase and Wells Fargo to settle civil money penalties for deficient, unsafe and unsound mortgage servicing practices. The servicers agreed not to contest the OCC's ability to impose civil money penalties totaling $394 million, and the OCC agreed to hold the $394 million in penalties in abeyance, provided that the banks take actions and/or make payments under the National Mortgage Settlement with a value that meets or exceeds that amount. The OCC's civil money penalty enforcement action is similar in approach to the civil money penalty action taken by the Federal Reserve.

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What information will the OCC report to the public on the results of reviews and the compensation provided to borrowers, including information on a per servicer / per consultant basis? It is not acceptable to me from a public accountability and transparency standpoint to have aggregate results released without accountability on a bank by bank basis. I and many other members of the Senate want to know for example, how many people in New Jersey were harmed by the foreclosure practices of a particular servicer and how much compensation people received for that wrongdoing. Will this report on outcomes include information on race and national origin? Income level? Home location? Other demographic factors?

In July 2011 testimony, the OCC committed to producing an interim report, which it published on November 22, 2011, and a final report of the results at the conclusion of the Independent Foreclosure Review process and other efforts to correct deficiencies identified in the Consent Orders. To provide additional information and transparency around the Independent Foreclosure Review process, the OCC plans to issue additional periodic, public summaries of the developments in implementation of the Consent Orders and the Independent Foreclosure Review. The OCC has not yet determined the content and format of that final report.

How exactly did the OCC determine that it would not be a conflict of interest for a consultant to review the work of a servicer when that consultant is being paid or has been paid to do work for that same servicer?

The engagement of independent consultants subject to the OCC's Consent Orders followed the same process the federal banking agencies generally utilize with respect to implementation of requirements to hire independent third parties to conduct reviews under §1818 enforcement orders. Under this process, the financial institution is required to propose engagement of an outside independent party, which is subject to agency non-objection, and the institution is required to pay directly for the third party services. The banking agency oversees the engagement and examines the results. Under this process, consultants are motivated to perform their services independently, competently, and thoroughly; because, if they do not, they risk having their independence called into question, their resulting work-product rejected, and they risk future approval by the regulators to serve as an independent outside third party with respect to other projects.

Will the OCC and consultants institute a permanent mechanism for meeting regularly with a broad cross-section of homeowners and counselors for their input on the process before major decisions are announced? For example, many have raised concerns that the letters sent out to borrowers have no official logo on them and many borrowers will think they are a scam, a mistake which could have been caught if homeowner advocates had been consulted before that form was finalized rather than being written by the banks themselves with no input from the other side.

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The OCC, the Federal Reserve, and the independent consultants have already begun a series of meetings and consultations with community and housing advocates around the Independent Foreclosure Review. Representatives from the National Consumer Law Center, National Fair Housing Alliance, Center for Responsible Lending, National Council of La Raza, Consumer Action, and several other organizations, met with independent consultants, the OCC, and the Federal Reserve on January 5th. The advocates presented their experiences with loan modification and foreclosure cases and explained their specific concerns with the implementation of the Review. The OCC has held two follow up meetings with these and other advocates to gain feedback on outreach initiatives and issues presented by the Independent Foreclosure Review process. These meetings will continue to be held every few weeks.

Will the mandatory review of all files in certain categories include the category of cases where borrowers previously filed complaints with the servicers about foreclosure actions that were pending in 2009 and 2010? The Fed indicated in their testimony that they are requiring review of all such files.

The independent consultants will review 100 percent of all foreclosure-related complaints previously submitted by in-scope borrowers that are forwarded by regulators, government agencies and other officials. Joint guidance provided by the OCC and the Federal Reserve also calls for appropriate samples of other borrower claims and complaints previously submitted to the institution, and the OCC requires that the independent consultants review all complaints submitted by in-scope borrowers from January 1, 2011 through commencement of the borrower outreach process on November 1, 2011.

What was the OCC's role in designing, consulting on, or approving the servicers' national print media outreach plan? If homeowners, counselors, advocates or Members of Congress request that changes be made to the national outreach campaign, to whom should they send these requests (ex: the OCC, servicers, their consultants, the Financial Services Roundtable)?

The development and implementation of the national print media campaign was an iterative process between the servicers and regulators, but subject to final review and approval by the OCC and the Federal Reserve. Feedback and suggestions gained from ongoing meetings and communication with community and housing advocates, including edits to the advertising copy and use of recommended media outlets, was also incorporated into this process. The OCC will continue to monitor the media campaign to determine what media outreach would be beneficial. Any recommendations and suggested changes to the national outreach campaign should be made directly to the federal regulators.

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Please describe the exact process by which the claim forms mailed to eligible borrowers were designed. Did the OCC request that any changes be made after reviewing drafts of the form from the servicers? If so, what changes were requested?

Development of the claims forms was an iterative process between the OCC and the Federal Reserve, independent consultants and servicers following a series of discussions centered on the objectives of the outreach process and the regulators' financial injury guidance. The approach centered on providing a class action style notice to borrowers of their opportunity to submit a claim for an independent review of their foreclosure case. The OCC and the Federal Reserve reviewed and accepted the final claims forms after several edited iterations were drafted and submitted by the servicers and the independent consultants. Required edits by the federal regulators included revisions to the cover letter, expansion of the examples of situations that could result in financial injury, simplification of questions, for example to ensure proper capture of active duty servicemember information, and incorporation of Spanish language disclosures.

Did the OCC do any usability testing of the claim forms, either with focus groups of borrowers or with form usability experts?

The OCC did not conduct usability testing beyond internal review among parties with varied expertise and experience, interagency discussion with the Federal Reserve, and dialogue with the servicers and independent consultants.

Has the OCC either mandated or encouraged servicers to provide funding to housing counselors, who are expected to assist borrowers in completing the claim forms?

The OCC is encouraging servicers to provide resources to housing counselors to help make borrowers aware of the opportunity to take advantage of the Independent Foreclosure Review and, where needed, to assist those borrowers during the process. Bank of America has already funded an initiative to engage recognized HUD-approved counseling intermediaries to support enhanced outreach to customers who may be eligible for the Independent Foreclosure Review and to provide help in completing the application. The initiative supports 11 HUD-approved intermediary agencies (who are also National Foreclosure Mitigation Counseling fund recipients) and their nonprofit affiliates and is designed to support grass roots visibility to reach as many eligible customers as possible including low and moderate-income, multicultural and those who may be experiencing language barriers. The outreach will include: mailings and outbound calling directed at customers believed to be eligible for the Independent Foreclosure Review; traditional grass roots outreach events to provide information to individuals and families; and other activities designed to communicate information to the community, such as newsletters, Web sites, PSAs, and purchased ads. These organizations will also manage two toll free numbers (one aimed at Spanish speaking borrowers) and will assist borrowers in requesting and completing the Request for Review form, including assembling supplemental information and documents as necessary.

As I understand it, the OCC could have directly retained the independent consultants, and directed them to review the actions of servicers subject to the consent orders. The OCC could have then recouped costs related to these reviews via an assessment on the servicers subject to the consent orders. Please describe, in detail, why the OCC did not adopt this approach. If Federal procurement rules were an issue, please describe specifically which rules would have prevented the OCC from swiftly engaging consultants.

The engagement of independent consultants subject to the OCC's Consent Orders followed the same process the federal banking agencies generally utilize with respect to implementation of requirements to hire independent third parties to conduct reviews under §1818 enforcement orders. Under this process, the financial institution is required to propose engagement of an outside independent party, which is subject to agency non-objection, and the institution is required to pay directly for the third party services. The banking agency oversees the engagement and examines the results. Under this process, consultants are motivated to perform their services independently, competently, and thoroughly, because, if they do not, they risk having their independence called into question, their resulting work-product rejected, and they risk future approval by the regulators to serve as an independent outside third party with respect to other projects.

The OCC considered the option of directly contracting with independent consultants and determined that it would be more appropriate and timely to have the servicers contract directly with the consultants pursuant to the process described above. For example, federal government procurement rules require that the OCC conduct full and open competitions for services including the services of consultants unless, for example, there is only one source that can provide the services or there are urgent and compelling circumstances. Even if circumstances are considered urgent and so compelling, the maximum amount of limited competition is required. Given that the services of up to 12 independent consultants were needed, competition would have to include more than 12 offerors.

The procurement process requires that the OCC develop a request for proposals, advertise its requirement, evaluate proposals, negotiate with offerors and make awards. This process can be time consuming and, in the case of the foreclosure reviews, could have taken as long as six to nine months. Because of the number of institutions involved, multiple negotiations with offerors would have been necessary. Additionally, as with any procurement, an interested party may protest at the solicitation, offer or award phase to the U.S. General Accountability Office. This adds risk and time to the procurement process. Because the full scope of the work for the consultants could not be defined up front, it would have been difficult for offerors to price their services and for the OCC to place a dollar value on the contracts. Also, the OCC determined that flexibility in scoping requirements and in making changes based on supervisory needs was important and that such factors do not easily translate to federal procurement contract types. While there are some contract types that allow more flexibility than others, the OCC would have been in a position of continuously modifying its contracts to ensure the scope of work was correct. The contract risk associated with change in scope was, in our opinion, more appropriately placed on the entities complying with the consent orders rather than the OCC.

What procedures are being established for both the foreclosure reviews and the remediation process to ensure uniformity so that borrowers get the same treatment no matter which servicers or consultant they have?

The OCC and the Federal Reserve have collaborated to provide guidance to the independent consultants with respect to the foreclosure reviews, outreach/request for review process, financial injury, prioritization of file reviews, and remediation to ensure borrowers are treated in a consistent manner. The regulators and independent consultants are in regular, ongoing communication to share information and to ensure standards are being applied in a consistent manner. We have directed the independent consultants to include quality control processes within their work flow to monitor the quality and consistency of file reviews and address identified issues. These quality control processes carry through to the determination of financial injury as well as remediation. OCC onsite examiners will review processes at each servicer, and will also selectively test file work of the independent consultants to help ensure both quality and consistency.

Is it true that the results of the reviews will be shared with banks for comment prior to release, but not with homeowners, who will have no opportunity to comment prior to release? I would urge you to give homeowners equal opportunity to comment prior to release. It is bad enough that there are deep concerns about the true independence of the reviewers without even further biasing the process by allowing only one side to comment on and influence the outcomes.

Independent consultants may share information with the servicers for the purpose of correcting factual inaccuracies or to obtain documentation in situations where incomplete or missing documentation may be needed to reach an accurate conclusion. The servicers are not permitted to influence conclusions reached by the independent consultants with respect to servicer errors, misrepresentations or deficiencies, or any recommendations with respect to financial injury compensation or other remediation

What steps will the consultants take to ensure that a foreclosure does not happen while a review is underway? How will the consultants know when a foreclosure sale is imminent such that they should halt the foreclosure and/or provide a faster review?

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The OCC has issued guidance to the independent consultants and servicers to try to prevent any borrower who is receiving an independent foreclosure review from losing their home without their file first receiving an independent review or a pre-foreclosure sale review. All borrower requests and other files selected for an independent foreclosure review will be monitored on at least a weekly basis to determine if a foreclosure sale is scheduled. The independent consultants will prioritize their review of these requests and files according to the scheduled foreclosure sales date. Additionally, servicers, subject to independent consultant testing and validation, will be required to promptly review all borrower requests for an independent foreclosure review and borrower submitted documentation, to determine if a scheduled foreclosure sale should be postponed, suspended or cancelled. Servicers, after being notified of a borrower request for review, also must promptly determine whether the borrower is currently in an approved active loss mitigation program or is being actively considered for a HAMP or other modification or loss mitigation program and whether further foreclosure proceedings and/or scheduled foreclosure sale be postponed, suspended or cancelled as required by the applicable program standards. We encourage borrowers who believe they have a basis to submit a request for review and are facing foreclosure to submit their requests as soon as possible and to also continue with their foreclosure prevention efforts directly with the servicer, since submission of the request for review form just prior to foreclosure sale may not allow for sufficient time for the above checks to be completed.

I was very disturbed by the testimony indicating that if the consultants wish to contact or speak directly with borrowers, they are expected to contact the servicer first. How is it even remotely appropriate for the consultants, who are supposed to maintain independence at all times, to have to notify or get permission from the banks to contact borrowers? Will the OCC change its directives so that consultants do not have to either notify or get the permission of the banks to directly contact borrowers? For consultants to evaluate homeowner claims fairly requires open and direct communication between the consultants and homeowners and their advocates and should never be deterred by the servicer as an intermediary between them.

Independent consultants do not have to obtain the permission of servicers to contact borrowers, and servicers do not dictate what additional information may or may not be needed by the independent consultants from the borrower. Independent consultants may exercise their judgment, consistent with the terms of their engagement, in deciding whether to request additional information from a borrower. It has never been the OCC's position to prohibit contact between the independent consultants and borrowers' rights advocates. In fact, the OCC is facilitating such meetings.

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Is there a protocol requiring the consultants to reach out to homeowner advocates when there is evidence in the file that they were involved? Is there a protocol about how the reviewers will respond to inquiries from parties authorized on behalf of borrowers? If there are protocols, please describe them. If there are not protocols, I respectfully ask that you establish them.

The borrower is free to enlist the assistance of housing counselors or other homeowner advocates to assist them in preparing the complaint form. This can be done in several ways. A borrower may request the Request for Review form from the Independent Foreclosure Review call center, or use a Request form already received in the mail, and sign and return the form. If the borrower seeks to have a homeowner advocate request a form or otherwise communicate on his or her behalf, he or she would need to submit a signed written authorization to allow the homeowner advocate to communicate with representatives of the Independent Foreclosure Review. If the homeowner advocate wishes to sign the form on the borrower's behalf, a legal power of attorney is required.

We are pleased to report that on March 2, 2012, the IndependentForeclosureReview.com Web site was enhanced to allow for the intake of Request for Review forms on-line. This new capacity for on-line submission of claim forms through the Web site will facilitate and provide additional access for borrowers and for borrower representatives to assist borrowers in filing a request for review.

Can you commit to contacting homeowners or their advocates if pertinent information is missing? It is tremendously important that the reviews not be conducted on "submitted documents" alone, since we know that servicers have lost paperwork and servicer files may not be complete, and that homeowners who don't have a counselor or attorney to guide them through the process don't really know what proof they need to send in.

For most cases, records required for review will be found in the servicer files, attorney case files, and/or will be supplied by the borrower in connection with their complaint submission. However, the independent consultant may exercise their judgment, consistent with the terms of their engagement, in deciding whether additional information is needed from the borrower.

What experience requirements are mandated by the OCC for foreclosure file reviewers? How long is the mandatory training program for them? This strikes me as something that can't be learned in a two or three week training program, but would take years of experience. It seems to me that you really need lawyers reviewing these files on such complicated legal questions, but given some of the questionable job ads that have appeared, I question the qualifications of some of those being hired to do these reviews and make decisions that will have profound impacts on the lives of struggling families.

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In-depth and elaborate tools have been prepared by the independent consultants and their outside counsel to assist file reviewers, and reviewers are assigned based on experience level of the task required (i.e., basic file review may entail review by a contractor trained to respond to a specific inquiry; quality assurance reviewers will have a higher level of relevant experience). Training is also provided by the independent consultants to file reviewers. Each of the independent consultants also has engaged independent counsel to help them address legal issues that require the assistance of counsel in order to properly review a borrower case file. OCC examiners also serve in an oversight role and will review samples of individual files as another quality assurance measure to ensure that the file reviews are being conducted appropriately.

If consultants are only reviewing borrowers for the items they check on the letter, then why aren't borrowers informed of that important fact in the letter?

The letter and Request for Review form encourage borrowers to provide all information the borrower feels relevant and provides clear opportunity for the borrower to address any other issue in an open-ended question. Providing as much information as possible in describing borrowers' concerns helps ensure an accurate and effective review by the independent consultants.

What information obtained from borrowers will the consultants or Rust share with the servicers? This has Fair Debt Collection Practice Act implications, and there should be clear and public guidelines on this. Homeowners are more likely to trust the process if their personal information is not shared with the servicer (counselors have already had homeowners contact them who said that the potential use of information by the servicer is one reason why they don't want to return the form).

Information submitted on the borrower Request for Review form is made available to the respective servicers in order to facilitate the collection of necessary documents for review by the independent consultants. However, we have directed servicers to limit the use of contact or personal information provided in connection with the Independent Foreclosure Review *only* for purposes relating to the Independent Foreclosure Review process. We believe this mandate will address any borrower concerns regarding a servicers' use of updated contact information for debt collection efforts against a borrower who provides such information in connection with his or her Request for Review submission. Our initial research into the matter determined that use of Request for Review form information to collect on borrower debts was never contemplated by the servicers; nonetheless, we have issued a clear mandate to provide eligible borrowers with these additional assurances. Information concerning this mandated privacy policy now appears on the IndependentForeclosureReview.com Web site.

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Testimony indicated that only 5% of mailings have been returned undeliverable, and that seems like a surprising statistic considering how many people who are foreclosed on move multiple times afterward. What explains that low rate of returns? Is it possible the letters are still sitting in unused mailboxes without being returned as undeliverable? Is there any in-person outreach being done to reach borrowers?

As of March 4 and after completion of all 4.3 million initial mailings, 5.6% percent have been returned undeliverable with no additional alternate addresses available. Second and third mailings using an address trace process to reach additional borrowers are currently nearing completion. The low undeliverable rate is a result of effective efforts to identify current and accurate addresses of potentially eligible borrowers. To help reach those people where direct mailing is unsuccessful, the OCC and the Federal Reserve have also required nationwide public awareness advertising. In addition, the OCC published public service articles and radio spots for use in small newspapers and radio stations throughout the country and continues to conduct media interviews on the subject. The OCC and the Federal Reserve are also facilitating educational and awareness outreach meetings with housing advocacy groups, including two nation-wide webinars, to increase awareness of this effort.

The OCC also is encouraging servicers to provide resources to housing counselors to help make borrowers aware of the opportunity to take advantage of the Independent Foreclosure Review. As previously described, one major servicer has already funded an initiative to engage eleven HUD-approved counseling intermediaries to support enhanced outreach to reach as many eligible customers as possible including low and moderate-income, multicultural, and those who may be experiencing language barriers.

What has the borrower response rate been so far among the borrowers who have been contacted? What percentage have already returned their completed forms?

All of the scheduled 4.3 million independent foreclosure review forms have been mailed, and second and third mailings to borrowers where the initial mailing was returned undeliverable are nearing completion. Through March 4, 113,894 Requests for Review have been received. On February 15, the OCC and the Federal Reserve jointly announced that the deadline for borrowers to submit a request for review to the Independent Foreclosure Review process had been extended from April 30, 2012 to July 31, 2012. The three-month extension will provide more time to increase awareness of how eligible people may request a review and to encourage the broadest participation possible. The national print media campaign will also be extended to further increase and expand public awareness of the Independent Foreclosure Review process.

Shouldn't people be able to go to a website to get the form they need rather than relying on mailings alone?

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We are pleased to report that on March 2, 2012, the IndependentForeclosureReview.com Web site was enhanced to allow for the intake of Request for Review forms on-line. On-line submission of claim forms through the Web site further facilitates and provides additional access for homeowners to Request for Review forms on-line.

Can the website be immediately redesigned to look more official, but also easier for borrowers to understand? It is currently so primitively done that it looks like a scam.

Changes to the text of the site have been made to reference the OCC and the Federal Reserve in order to provide additional credibility and assurance to site visitors that www.IndependentForeclosureReview.com is a legitimate site and program.

How will the borrowers who lost their homes to foreclosure or who have relocated be contacted? Can you commit to consulting with a wide variety of homeowner advocates including housing counselors and attorneys to gather any homeowner contact information from them?

Outreach actions to contact and promote an informed awareness among in-scope borrowers have included direct mail supported by a mass media (print) campaign and public service announcements promoted by the OCC. The direct mail campaign started with the borrower's current active address or last known active address. All addresses on file were run through a national change of address database to identify a more current address. Several servicers also processed borrower addresses through a third party consumer database using information from sources such as credit bureaus, public records/registrations, utilities, phone number databases etc., to determine the most likely current addresses. Returned mail for servicers who did not "pre-trace" borrower addresses was subject to the above tracing process. Any returned mail from the next contact attempt was processed using human judgmental decisioning to determine most likely current addresses. We attribute the relatively low numbers of returned mail to the level of efforts made to pre-trace and post-trace borrower addresses. This address tracing process is further supplemented by the print media advertising campaign and OCC-promoted public service announcements to help reach borrowers who may not have received the direct mailing. The OCC is regularly meeting with various housing counselors and advocates to explore additional methods to reach relocated borrowers and increase customer awareness of the Independent Foreclosure Review program.

As described in previous answers, the OCC is encouraging servicers to provide resources to housing counselors to help make borrowers aware of the opportunity to take advantage of the Independent Foreclosure Review and, where needed, to assist those borrowers during the process.

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What provisions are being made for outreach, materials (including required forms), and assistance to be provided in languages other than English? I've heard concerns that the way the outreach is being conducted may violate the Fair Housing Act. How will you ensure that all outreach materials comply with Limited English Proficiency Executive Order #13166?

There are multiple efforts currently underway to make outreach and information about the Independent Foreclosure Review available in languages other than English. The RUST toll free call center has translation services available in over 240 languages, and the operators can also translate documents for borrowers over the phone. Spanish language translations of the Frequently Asked Questions and a Spanish language guide on how to complete the form are now available on the IndependentForeclosureReview.com Web site. The OCC will be monitoring the volume of calls coming into the RUST call center from borrowers who request translation services and will use this data to determine if other similar translations are necessary to serve other non-English speaking populations.

The Spanish messages on the mailed claim forms and proposed print ads give unclear directions. Do call centers have representatives who are capable of taking calls in Spanish? Will Spanish-speaking borrowers be required to obtain their own independent interpreters in order to navigate the process?

The call center does have Spanish translators available at all times. Spanish-speaking borrowers and any other non-English speaking borrowers will not be required to obtain their own translators; statements to that effect contained in the draft of the advertisement and on the Web site have been removed.

Will Rust provide a 1-800 number for translation of forms and other guidelines?

Yes. Borrowers can request a free translation over the phone of forms and other letters they receive by calling the main RUST 1-800 number available to all borrowers.

Will outreach and print ads be done through Spanish-language media in select markets?

The OCC worked with servicers to expand their media plan to include Spanish-language placements in key markets. In addition, the OCC public service advertisements were produced in Spanish and distributed to hundreds of small Spanish language publications and radio stations throughout the country for their use.

"Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews"
December 13, 2011

<u>Questions for Ms. Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, from Senator Warner:</u>

1. **Even with some signs of increased demand, it seems like the mortgage market in 2012 could be a lot like 2011, and housing prices may even decline according to some projections. 17 percent of FHA's portfolio is delinquent and over 10 million homes nationwide are underwater. S&P thinks it will take almost a year to work through the excess inventory of houses. Considering the state of the housing market, does the OCC believe that a refinance program for non-GSE owned homes could be beneficial to homeowners, lenders, and housing market recovery? Should such a refinance program, or the current HARP program be applicable to homeowners with over 20 percent equity?**

   The OCC has not taken a position of any on the various refinancing ideas that have been suggested for non-GSE backed mortgages.

2. **My staff is still receiving consistent complaints about the quality of customer service by servicers, which directly affects the rate of foreclosures. The OCC has completed an Interagency Review of Foreclosure Policies and Practices and has participated in efforts towards implementing national servicing standards. How do you measure the progress made in the last few years towards effective servicing? Can you give us a status report on the implementation of national servicing standards? Can regulators affect the quality and capability level of servicing professionals that are hired? How should I characterize servicing oversight and improvements to my constituents?**

   This is an area where mortgage servicers need to continue to improve the quality of customer service. The OCC and the Federal Reserve Consent Orders require a number of crucial steps. The National Mortgage Settlement imposes detailed requirements on the five largest servicers, and the OCC and other federal agencies have undertaken to develop more comprehensive uniform mortgage servicing standards that will apply not just to federally-regulated banks and thrifts, but to all mortgage servicers. This latter effort is in early stages and is strongly supported by the OCC. There is much work still to be done but important new standards are already being applied to the largest federally-regulated servicers as a result of the OCC and the Federal Reserve Consent Orders.

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3. **Based on reports from my state staff, there are three specific issues I want to address in the context of progress towards improved servicing standards. First, difficulty obtaining permanent modifications: Folks will complete their three month trial modification, and then be rejected for a permanent modification. And according to housing counselors, all of these loss mitigation decisions take too long. Can you characterize what percent of homeowners nationally have typically qualified for HAMP or proprietary modifications and then are rejected for permanent modifications? Does the OCC see any feasible changes in the eligibility for permanent modifications that would maintain success rates in permanent modifications but allow greater eligibility?**

The OCC does not have data on the number of borrowers qualified for a HAMP or proprietary modification program that ultimately receive or are rejected for permanent modifications. The Making Home Affordable (MHA) program administered by the Treasury Department could have applicable information on HAMP modifications. The OCC believes that the eligibility criteria currently used for HAMP reasonably balances borrower qualification requirements with investor expectations for a positive, comparative net present value return and an acceptable post-modification success rate. Proprietary programs currently in effect to supplement HAMP provide greater flexibility for borrower eligibility, but at the expense of lesser post-modification success.

Second, short sales: If my constituents need to leave their home, a short sale may be their best option. I hear a lot of reports that homeowners are having trouble getting short sales approved, they go through multiple rounds of negotiations for an underwater home and are lucky if they can get approval. Can you discuss the OCC's regulatory concerns with short sales, and how we can make short sales a more viable option for homeowners? Shouldn't the mortgage owners want a new borrower in the home who can better afford the payments? Are there options for credit reporting following short sales that lenders can use to minimize credit damage to homeowners?

The OCC endorses short sales as a viable loss mitigation alternative for many troubled borrowers, and OCC mortgage metrics data obtained from nine of the national banks under the Consent Orders shows that short sales have steadily increased over the past two years, from 30,766 transactions in the third quarter of 2010 to 57,479 transactions in third quarter 2011. Unfortunately, while short sales continue to increase, accomplishing a successful short sale at times can be a very complicated process, especially when the servicer does not service or own both the senior lien mortgage and the junior lien loan(s), or when there is a third party investor or another institution that provides private mortgage insurance for the loan(s). To affect a successful short sale, there generally must be a purchase offer that results in a positive net present value return (vs. a foreclosure) to the third party loan investor or mortgage insurance provider. The offer must come from a qualified purchaser with either cash or available financing to accomplish the purchase. In addition, investors may not allow servicers the significant time often necessary to negotiate a short sale when those timeframes conflict with established foreclosure processing timeframes. And, junior lien holders on the property must also be receptive to the transaction and willing to release their liens. Short sales cannot always be accomplished because these criteria cannot be met.

The OCC believes that credit reporting must accurately reflect the facts and circumstances around how a borrower has performed under a credit arrangement. Reliable credit bureau information is the foundation for the vast majority of consumer credit that exists today, allowing lenders to make informed credit decisions and offer credit to the broadest borrower population possible. Credit reporting should be an objective process that allows lenders to make informed decisions based on a borrower's demonstrated creditworthiness. How lenders use the information is part of the underwriting process when considering new or additional credit. Reporting that does not accurately portray the facts and circumstances of a credit arrangement weakens the usefulness of the information and would be a concern.

Third, dual track processes are still happening: Homeowners are still receiving foreclosure notices and auction date notices while they are working towards modifications. Internal communications seems to be a problem within the large lender and servicer organizations. What must be done internally in lender and servicer organizations to end the dual track, and what abilities do the banking regulators have to cause expedited improvement here?

This is an area actively under review by the OCC. The OCC's Consent Orders require servicers to implement procedures under approved action plans to ensure that no further foreclosure or legal action predicate to a foreclosure occur when the borrower's loan has been approved for a trial or permanent modification, unless the borrower is in default on the terms of the trial or permanent modification. We are currently assessing each servicer's progress in completing required changes in this and other areas. Moreover, it was also contemplated under the orders that servicers will be required to revise action plans to comply with any <u>higher</u> standards that might be required by developing national servicing standards, other negotiated settlements or contractual agreements, including those subject to the National Mortgage Settlement, or in some respects, new requirements imposed by the GSEs. The OCC also expects the servicers to comply with other applicable dual track standards required under the Making Home Affordable program, as well as applicable GSE and investor standards. With respect to the latter two, however, it is important to recognize that contractual requirements and requirements may determine servicer actions and timing in processing foreclosures.

"Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews"
December 13, 2011

<u>Questions for Ms. Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, from Senator Reed:</u>

1. **As part the foreclosure review process, what is the extent of the Department of Justice's (DOJ) involvement with respect to in scope borrowers who are covered by the Servicemembers Civil Relief Act (SCRA)? Will the OCC provide the DOJ with every opportunity and the ability to determine (a) whether a servicer has engaged in a pattern or practice of violating the SCRA and (b) whether a servicer has engaged in a violation of the SCRA that raises an issue of significant public importance? If not, please explain why not.**

   The OCC has been working closely with the Department of Justice (DOJ) to ensure that borrowers covered under both of our respective enforcement actions are treated similarly, and we are committed to sharing the results of the SCRA foreclosure reviews with the DOJ for all servicers under OCC orders or orders under our jurisdiction. Not only has the DOJ been provided with every opportunity and the ability to determine whether a servicer has engaged in a pattern or practice of violating the SCRA or engaging in an SCRA violation of significant public importance, but OCC staff at all levels have been in regular, sometimes daily, contact with their DOJ counterparts to ensure that we are taking consistent approaches to common issues. We have found the DOJ to be extremely helpful to us, especially with regard to interpretive issues, discussions of remediation of violations, and in resolving issues with the Defense Manpower Data Center database. We greatly appreciate the assistance they are providing us and value highly our working relationship with them.

"Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews"
December 13, 2011

<u>Questions for Ms. Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, from Senator Corker:</u>

1. **Are we permanently scaring off investors by telling them that when they buy an American mortgage security they have to deal with not only federal regulations but 50 state AGs? I talk to countless investors who are telling me they are "on strike," so to speak, and they will stay on strike until they have clarity over the rules for foreclosures and loss mitigation. Basically we are scaring away investors with these laws suits, which seems to me to be a problem given that all of the evidence thus far suggests that these were homeowners who were not paying their mortgages. Would anyone care to address this risk? Do any of you share these concerns?**

   See response to question 3 below.

2. **Do we need a uniform PSA to govern loss mitigation? I have a bill that directs the FHFA to work with industry participants to craft a PSA that would give investors and homeowners clarity on the rules of the road for loan modifications and loss mitigation. Do you all think this is a worthwhile idea?**

   See response to question 3 below.

3. **Do we need to codify into law, and regulate with clarity, proper registration of mortgages? Our bill calls for a new platform to serve as the source of electronic registration for mortgage ownership, which would be regulated by FHFA and overseen by the Congress. Would this be a helpful step in ensuring we have 21st century infrastructure to go along with a 21st century capital markets regime?**

   Each of the foregoing questions raise very important issues about the standards and infrastructure supporting housing finance in the U.S. A modern, efficient system that supports home ownership opportunities, responsible lender behavior, and healthy mortgage markets would include elements of clear, predictable and consistent national standards and utilization of 21st century technology to enable efficient operation of the mortgage finance system. We welcome the opportunity to be part of this dialogue.

United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

WASHINGTON, DC 20510-6075

December 21, 2011

Ms. Julie Williams
First Senior Deputy Comptroller and Chief Counsel
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

Dear Ms. Williams:

Thank you for testifying before the Committee on Banking, Housing, and Urban Affairs Subcommittee on Housing, Transportation, and Community Development at our December 13, 2011 hearing entitled *Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews*. In order to complete the hearing record, the deadline for responses is January 11, 2012. When formatting your response, please repeat the question, then your answer, single spacing both question and answer. Please do not use all capitals.

Send your reply to Ms. Dawn L. Ratliff, the Committee's Chief Clerk. She will transmit copies to the appropriate offices, including the Committee's publications office. Due to current procedures regarding Senate mail, it is recommended that you send replies via e-mail in a MS Word, WordPerfect or .pdf attachment to Dawn_Ratliff@banking.senate.gov.

If you have any questions about this letter, please contact Ms. Ratliff at (202)224-3043.

Sincerely,

Tim Johnson

Tim Johnson
Chairman

TJ/dr

"Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews"
December 13, 2011

Questions for Ms. Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, from Senator Merkely:

With regard to the Independent Foreclosure Review, we would appreciate responses to the following questions:

- Given the difficulties of reaching all eligible homeowners, will the OCC consider extending the deadline for applications beyond April of 2012?
- Is it correct that homeowners will be evaluated only for those "boxes" they check – even if they were to mistakenly check the wrong box?
- Homeowners applying for a loan modification can be financially harmed simply due to servicer delays in processing their application. Will such delays be considered to constitute "financial harm?"
- One of the consultants who testified on December 13 suggested that cases where a homeowner lost his or her home through a process that included robo-signing of affidavits would not necessarily have suffered any financial harm. Will the remediation construct being developed by the OCC recognize financial injury when a homeowner is thrown out of his or her home due to the illegal robo-signing of affidavits?
- The remediation construct that will direct the consultants will play a pivotal role in determining the amount of compensation homeowners will receive. How soon will you be able to share a copy of that document with our office?
- Will homeowners be provided access to the remediation construct?
- Would the OCC allow a homeowner to lose their home during the time they are waiting for a review and determination of their case?
- What provisions will OCC make for direct interactions between the homeowner and the reviewer of their application?

"Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews"
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Questions for Ms. Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, from Senator Menendez:

How many third party consultants were submitted by the servicers to OCC for review, and of those, how many were rejected by the OCC for conflicts of interest? Specific names are not necessary.

How many of the third party consultants are currently doing other work for the servicers that is unrelated to mortgages or foreclosures? Specific names are not necessary.

How many of the third party consultants formerly did other work for the servicers that was unrelated to mortgages or foreclosures? Specific names are not necessary.

Can the OCC extend the deadline for homeowners past April to allow more time for those who are just hearing about it through the media campaign to submit claims? If not, please specify why maintaining the April 30, 2012 deadline is necessary.

What outcome will the OCC view as success? Will this effort be successful if 2% of eligible borrowers seek a review, for example?

What are the fair housing implications of the review period the OCC selected (2009-2010)? The earliest loans to go through foreclosure were subprime loans, many of which were targeted to communities of color, yet those folks are left out of this review for no apparent reason. Please provide data comparing the racial statistics of homeowners who were foreclosed on during the 2009-2010 period compared to the years immediately preceding that.

Will the OCC set up a system to collect claims requests from borrowers who were in the foreclosure process either earlier or later than their limited scope of review? What will happen to complaints that come in from borrowers whose foreclosures may have been improper, but were completed before January 1, 2009 or initiated after December 31, 2010?

How will the OCC ensure that all homeowners are reviewed for all financial injury, regardless of which boxes they check?

As Senator Reed suggested at the hearing, can the OCC request that the independent consultants report the exact nature of any engagements they have with the servicers? I request that you do that for a period of 3 years following the completion of the reviews, and that the OCC submit that information to Congress, including this Housing Subcommittee.

What additional steps can the OCC mandate of servicers to improve contact rates with borrowers? What are the most effective methods of outreach so that borrowers will respond to solicitations?

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What role will the courts play in this foreclosure review process? Are the consent orders for example approved by a court?

Why were these consent orders done under the OCC's safety and soundness powers and not under consumer protection powers? If this review process may be irreparably tainted by bias of the consultants and the entire manner in which the OCC set up these reviews, why shouldn't the Consumer Financial Protection Bureau take over this whole foreclosure review process since the primary basis for the consent orders is really consumer protection?

You stated in your testimony that it has not been decided whether homeowner would have to give up their legal rights to other remedies if they apply for this program or take any money, even a small amount. Given the inherent biases of the consultants who are conducting these reviews, why should homeowners have to give up their right to have their case reviewed by a court? Unlike the consultants, the court is truly an independent third party.

The OCC banned the practice of proceeding with foreclosure where the bank already agreed to a loan modification with the homeowner, but why specifically did the OCC not ban the practice of proceeding with foreclosure when the borrower had already requested a modification and the bank hasn't yet responded? Not banning the latter creates great confusion for homeowners and can easily lead to the kinds of illegal foreclosures these Consent Orders are supposed to remedy.

Will these Consent Orders interfere in any way with the actions currently underway by the Department of Justice and state Attornies General? The Federal Reserve and FDIC have said they do not intend to do that, am I correct that the OCC also does not intend to do that?

Ms. Cohen in her testimony cites several examples of harm to borrowers that are not included in your examples, such as servicer delay, the cost of being placed in a proprietary modification instead of a HAMP one, and the cost of an improperly damaged credit score. Senator Merkley also gave the example of robosigning. Will each of those four examples be treated as "financial harm" to the borrower too? Please address each of those four examples in detail. In addition to instructing the servicers to correct the credit score, will homeowners be compensated for past financial injury occasioned by a poor credit score, such as lost employment, lost alternative housing, higher insurance and credit costs? What steps will the OCC take to ensure that credit scores are corrected in a timely way?

How will you ensure uniformity of remedies across servicers? Your reference in your testimony to "baseline" rules for compensation that didn't have to be followed by the third party consultants was disturbing and could lead to wildly inconsistent results for similarly situated homeowners. When will you release full guidance as to how financial compensation will be calculated for borrowers?

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Under current policy, the OCC is directing servicers and their independent consultants to escalate the review of certain borrower claims when the borrower's home is scheduled for a near-term foreclosure sale. As I understand it, borrowers will qualify for an escalated review if their foreclosure is 30 days away (this timeframe may be extended for borrowers where the independent review may take longer to complete). Will the OCC make public the specific timetables, at each servicer, where borrowers will qualify for an escalated review? Will the OCC consider prohibiting servicers from proceeding to a foreclosure sale in certain circumstances? Can the OCC guarantee that servicers will not complete any foreclosure sales while the escalated review is still pending? Will post-foreclosure review really be sufficient to address their concerns after they've already lost their homes? I'm concerned that most homeowners will not be expecting to lose their homes while they are awaiting a decision and most will likely assume that in applying for the program their foreclosure will be stopped until the review process is over.

Why hasn't the OCC already released the full guidelines (other than the approximately 22 examples) to the public for what constitutes "financial harm" to a borrower? Am I correct that a more comprehensive definition and examples could easily be released without releasing any proprietary information? When will the OCC do that? If you don't release the full guidelines, then how are borrowers supposed to know if what happened to them will qualify for relief or not? That seems to me like really basic information that you should have released in November before you started sending letters to homeowners. I'm deeply concerned about the inadequate reference in your testimony to merely "supplemental guidance" and that the OCC just isn't getting the message that full public transparency is absolutely essential to having any public confidence in these reviews, especially since the OCC has already tainted the reviews with its decision to allow banks to choose their own judges.

How will the OCC conduct oversight of consultant activities? What actions will it take if it finds their performance lacking or if it finds that they are doing what's in the best interests of the big banks instead of what's in the public interest? Will there be a process where the first line of reviewers at the consultants can directly contact the OCC about these problems without going through their supervisors at the consultants or any other layers of bureaucracy?

Will the OCC consider establishing an ombudsman to handle borrower complaints about the independent foreclosure review process? What is the process for borrowers who file complaints about the handling of their cases by the consultants?

How will the OCC conduct oversight of servicers who are not providing the consultants with complete and accurate information in a timely manner?

Some of the engagement letters between servicers and their independent consultants invoke attorney-client privilege and attorney work product privilege over the whole process and confidential treatment of the engagement letter itself. In fact, all servicers used their general counsel's office to engage the independent consultants and outside counsel, and some servicers name their general counsel as project lead. Some servicers engaged additional outside legal counsel for the review directly rather than through the primary consultant. So, given all of this information, does an attorney-client privilege exist between any of the servicers subject to the consent orders, or any of their employees, and the independent consultants or outside counsel retained by them? How does such attorney-client privilege interact or interfere with the responsibilities that consultants have to the OCC? Will this attorney-client privilege at all limit what information will be made public?

In their testimony, the Federal Reserve Board commits to imposing fines on servicers found to have acted improperly. Will the OCC commit to doing the same? When the results come out, what factors will you be considering in deciding whether and how much of a monetary penalty to impose on servicers? Suppose for example that a homeowner got charged $5,000 in illegal fines. It seems to me that asking the bank to give back the $5,000 to the homeowner alone doesn't provide sufficient deterrence and that the bank should be fined multiple times that amount to discourage that illegal behavior in the future. Do you agree with that assessment?

What information will the OCC report to the public on the results of reviews and the compensation provided to borrowers, including information on a per servicer / per consultant basis? It is not acceptable to me from a public accountability and transparency standpoint to have aggregate results released without accountability on a bank by bank basis. I and many other members of the Senate want to know for example, how many people in New Jersey were harmed by the foreclosure practices of a particular servicer and how much compensation people received for that wrongdoing. Will this report on outcomes include information on race and national origin? Income level? Home location? Other demographic factors?

How exactly did the OCC determine that it would not be a conflict of interest for a consultant to review the work of a servicer when that consultant is being paid or has been paid to do work for that same servicer?

Will the OCC and consultants institute a permanent mechanism for meeting regularly with a broad cross-section of homeowners and counselors for their input on the process before major decisions are announced? For example, many have raised concerns that the letters sent out to borrowers have no official logo on them and many borrowers will think they are a scam, a mistake which could have been caught if homeowner advocates had been consulted before that form was finalized rather than being written by the banks themselves with no input from the other side.

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Will the mandatory review of all files in certain categories include the category of cases where borrowers previously filed complaints with the servicers about foreclosure actions that were pending in 2009 and 2010? The Fed indicated in their testimony that they are requiring review of all such files.

What was the OCC's role in designing, consulting on, or approving the servicers' national print media outreach plan? If homeowners, counselors, advocates or Members of Congress request that changes be made to the national outreach campaign, to whom should they send these requests (ex: the OCC, servicers, their consultants, the Financial Services Roundtable)?

Please describe the exact process by which the claim forms mailed to eligible borrowers were designed. Did the OCC request that any changes be made after reviewing drafts of the form from the servicers? If so, what changes were requested?

Did the OCC do any usability testing of the claim forms, either with focus groups of borrowers or with form usability experts?

Has the OCC either mandated or encouraged servicers to provide funding to housing counselors, who are expected to assist borrowers in completing the claim forms?

As I understand it, the OCC could have directly retained the independent consultants, and directed them to review the actions of servicers subject to the consent orders. The OCC could have then recouped costs related to these reviews via an assessment on the servicers subject to the consent orders. Please describe, in detail, why the OCC did not adopt this approach. If Federal procurement rules were an issue, please describe specifically which rules would have prevented the OCC from swiftly engaging consultants.

What procedures are being established for both the foreclosure reviews and the remediation process to ensure uniformity so that borrowers get the same treatment no matter which servicers or consultant they have?

Is it true that the results of the reviews will be shared with banks for comment prior to release, but not with homeowners, who will have no opportunity to comment prior to release? I would urge you to give homeowners equal opportunity to comment prior to release. It is bad enough that there are deep concerns about the true independence of the reviewers without even further biasing the process by allowing only one side to comment on and influence the outcomes.

What steps will the consultants take to ensure that a foreclosure does not happen while a review is underway? How will the consultants know when a foreclosure sale is imminent such that they should halt the foreclosure and/or provide a faster review?

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I was very disturbed by the testimony indicating that if the consultants wish to contact or speak directly with borrowers, they are expected to contact the servicer first. How is it even remotely appropriate for the consultants, who are supposed to maintain independence at all times, to have to notify or get permission from the banks to contact borrowers? Will the OCC change its directives so that consultants do not have to either notify or get the permission of the banks to directly contact borrowers? For consultants to evaluate homeowner claims fairly requires open and direct communication between the consultants and homeowners and their advocates and should never be deterred by the servicer as an intermediary between them.

Is there a protocol requiring the consultants to reach out to homeowner advocates when there is evidence in the file that they were involved? Is there a protocol about how the reviewers will respond to inquiries from parties authorized on behalf of borrowers? If there are protocols, please describe them. If there are not protocols, I respectfully ask that you establish them.

Can you commit to contacting homeowners or their advocates if pertinent information is missing? It is tremendously important that the reviews not be conducted on "submitted documents" alone, since we know that servicers have lost paperwork and servicer files may not be complete, and that homeowners who don't have a counselor or attorney to guide them through the process don't really know what proof they need to send in.

What experience requirements are mandated by the OCC for foreclosure file reviewers? How long is the mandatory training program for them? This strikes me as something that can't be learned in a two or three week training program, but would take years of experience. It seems to me that you really need lawyers reviewing these files on such complicated legal questions, but given some of the questionable job ads that have appeared, I question the qualifications of some of those being hired to do these reviews and make decisions that will have profound impacts on the lives of struggling families.

If consultants are only reviewing borrowers for the items they check on the letter, then why aren't borrowers informed of that important fact in the letter?

What information obtained from borrowers will the consultants or Rust share with the servicers? This has Fair Debt Collection Practice Act implications, and there should be clear and public guidelines on this. Homeowners are more likely to trust the process if their personal information is not shared with the servicer (counselors have already had homeowners contact them who said that the potential use of information by the servicer is one reason why they don't want to return the form).

"Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Foreclosure Reviews"
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1. Even with some signs of increased demand, it seems like the mortgage market in 2012 could be a lot like 2011, and housing prices may even decline according to some projections. 17 percent of FHA's portfolio is delinquent and over 10 million homes nationwide are underwater. S&P thinks it will take almost a year to work through the excess inventory of houses. Considering the state of the housing market, does the OCC believe that a refinance program for non-GSE owned homes could be beneficial to homeowners, lenders, and housing market recovery? Should such a refinance program, or the current HARP program be applicable to homeowners with over 20 percent equity?

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3. Based on reports from my state staff, there are three specific issues I want to address in the context of progress towards improved servicing standards.

   First, difficulty obtaining permanent modifications: Folks will complete their three month trial modification, and then be rejected for a permanent modification. And according to housing counselors, all of these loss mitigation decisions take too long. Can you characterize what percent of homeowners nationally have typically qualified for HAMP or proprietary modifications and then are rejected for permanent modifications? Does the OCC see any feasible changes in the eligibility for permanent modifications that would maintain success rates in permanent modifications but allow greater eligibility?

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1. As part the foreclosure review process, what is the extent of the Department of Justice's (DOJ) involvement with respect to in scope borrowers who are covered by the Servicemembers Civil Relief Act (SCRA)? Will the OCC provide the DOJ with every opportunity and the ability to determine (a) whether a servicer has engaged in a pattern or practice of violating the SCRA and (b) whether a servicer has engaged in a violation of the SCRA that raises an issue of significant public importance? If not, please explain why not.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

April 3, 2012

The Honorable Joseph Biden
United States Senate
Washington, DC 20510

Dear Mr. President:

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 342(e), the Office of the Comptroller of the Currency, Office of Minority and Women Inclusion (OMWI), is pleased to submit the enclosed annual report to Congress. The OCC's 2011 Annual Report covers fiscal year 2011 (October 1, 2010 through September 30, 2011) as well as the first quarter of fiscal year 2012 (October 1 through December 31, 2011).

If you have questions or need additional information, please contact me or Carrie Moore, Office of the Congressional Liaison, at (202) 874-4844.

Sincerely,

Joyce B. Cofield

Joyce B. Cofield
Executive Director
Office of Minority and Women Inclusion

Enclosure

cc: The Honorable Tim Johnson, Chairman, Committee on Banking, Housing & Urban Affairs ✓
The Honorable Richard Shelby, Ranking Member, Committee on Banking, Housing & Urban Affairs

The Office of the Comptroller of the Currency

Office of Minority and Women Inclusion
Section 342
2011 Annual Report to Congress
March 2012

The Office of the Comptroller of the Currency's (OCC's) primary mission is to charter, regulate, and supervise all national banks and federal savings associations to ensure they operate in a safe and sound manner and in compliance with laws requiring fair treatment of their customers and fair access to credit and financial products.

On January 21, 2011, the OCC's Office of Minority and Women Inclusion (OMWI) was established pursuant to the authority of section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (P.L. 111-203) (Dodd-Frank). Dodd-Frank section 342(e) requires the OCC to submit an annual report to Congress regarding the actions the agency has taken in each of the areas listed below. The OCC's 2011 Annual Report covers fiscal year 2011 (October 1, 2010 through September 30, 2011) as well as the first quarter of fiscal year 2012 (October 1 through December 31, 2011).

1. **Statement of the total amounts the OCC paid to contractors during the reporting period.**

- For fiscal year 2011, the OCC[1] awarded a total of 1,910 procurement actions representing a total spend of $173,598,657.

- For the first quarter of fiscal year 2012, the OCC awarded a total of 430 procurement actions representing a total spend of $19,260,492.

2. **Percentage of the OCC's total spend paid to minority- and women-owned businesses; and the OCC's development and implementation of standards and procedures to ensure contractors' fair inclusion and utilization of minorities, women, and minority- and women-owned businesses.**

- For fiscal year 2011, the OCC awarded 483 procurement actions to minority- and women-owned businesses, representing $66,732,118 or 38.44 percent of the OCC's total spend.

[1] All fiscal year 2011 procurement data for the OCC and the Office of Thrift Supervision have been combined to reflect the integration of the two agencies on July 21, 2011.

- For the first quarter of fiscal year 2012, the OCC awarded 130 procurement actions to minority- and women-owned businesses, representing $6,539,791 or 33.95 percent of the OCC's spend.
- For fiscal year 2011, the OCC's percentage of its total dollar spend with Asian Pacific American-owned businesses was 29.90 percent; black-owned businesses was 4.01 percent; American Indian/Native American-owned businesses was 1.42 percent; and Hispanic-owned businesses was 1.82 percent. The OCC's percentage of total dollar spend with women-owned businesses was 5.13 percent.[2]

In collaboration with the U.S. Department of the Treasury and the Small Business Administration, the OCC establishes annual small business contracting goals, including goals for Small Disadvantaged Businesses (SDBs) and Women-Owned Small Businesses (WOSBs). For fiscal year 2011, the goals for SDBs and WOSBs were each 5 percent of the OCC's total small business eligible dollars. For fiscal year 2011, the OCC met all of its small business goals, including achieving 21.61% for SDBs and 6.11% for WOSBs. As a result of the OCC's outstanding achievement for SDBs in fiscal year 2011, the OCC's small business goals have been increased for SDBs to 25% and for WOSB to 5% in fiscal year 2012.

In addition to the foregoing achievements, the Comptroller signed "Standards and Procedures for OCC Contractor's Good Faith Efforts to Include Minorities and Women in the Contractor's Workforce." Beginning March 1, 2012, the OCC inserted a written statement into all new contracts over $150,000 whereby contractors affirm their commitment, as well as the commitment of their subcontractors, to make good faith efforts to include minorities and women in their workforces. The OCC OMWI will review contractors' good-faith efforts, make a determination whether any contractors have failed to make good-faith efforts, and then take appropriate action as authorized by section 342.

3. Successes achieved and challenges faced in the OCC's outreach to, and contracting with, minority- and women-owned businesses.

In order to assist with outreach activities, the OCC OMWI designed and distributes an outreach brochure entitled "Expanding Diversity in OCC Business Activities," which provides an overview of the OMWI program as well as information on doing business with the OCC and other federal agencies. This brochure includes website links for Treasury's "How to Do Business with Treasury," the Small Business Administration, and the Treasury bureaus' annual "Forecast of Contract Opportunities." The OCC also created a link on the OCC Internet webpage with information about OMWI and doing business with the OCC. The OCC's "FY 2012 Forecast of Contract Opportunities" is available on the OCC's Internet website as well as Treasury's website.

[2] Some contracts were awarded to businesses that were both minority- and women-owned.

The OCC's OMWI Executive Director conducted the following outreach sessions:

- Met with the Black Economic Council, the Latino Business Chamber of Los Angeles, and the National Asian American Coalition (March 14, 2011);
- Served as a panelist at the Florida Community Economic Development Summit – Let's Do Business Florida (June 17, 2011);
- Served as a panelist at the Black Economic Council Urban Conference (June 23, 2011);
- Served as a panelist at the Congressional Black Caucus Foundation Annual Legislative Conference (September 23, 2011);
- Met with the Florida Minority & Women Lawyers (October 18, 2011);
- Participated in the National Minority Supplier Development Council National Conference (November 1 – 2, 2011); and
- Met with Congressional Hispanic Caucus members (December 14, 2011).

Moreover, OCC Acquisitions Management (AQM) staff members participated in six vendor outreach sessions sponsored by the U.S. Department of the Treasury's Office of Small & Disadvantaged Business Utilization during fiscal year 2011. At these vendor outreach sessions, minority- and women-owned small businesses met one-on-one with OCC's AQM staff members, discussed their capacity to provide goods and services to the OCC, and received technical assistance on doing business with both the OCC and the federal government.

The OCC publishes eligible contracting opportunities on the fedbizopps.gov website. The OCC complies with the Competition in Contracting Act and follows the Federal Acquisition Regulations (FAR) (48 CFR), which govern requests for proposals and the vendor selection process.

The FAR permits federal agencies to set-aside opportunities for eligible small businesses, small businesses owned by women, service-disabled veteran-owned small businesses, and small businesses located in historically underutilized business zones. The OCC encourages large businesses to pair with small businesses for some procurements and obtain subcontracting plans from the large businesses where applicable. The OCC posts on its website a list of current contracts with names of prime contractors in order to facilitate potential partnership opportunities between large and small businesses.

The OCC OMWI's 2012 strategy includes efforts to refine the agency's procurement data and gather information about industry participants and demographics in the various North American Industry Classification System (NAICS) codes. This strategy will create a wider distribution of information to minority- and women-owned businesses about the OCC's contracting opportunities and is intended to increase the demographics of minority- and women-owned business penetration within the NAICS codes.

4. **Successes achieved and challenges faced in the OCC's recruitment and hiring of minority and women employees.**

The OCC's workforce increased due to the July 2011 integration of OTS employees. As of December 31, OCC's permanent workforce was comprised of 3,492 employees, of which 30 percent were minorities and 46 percent were females. All major EEO groups were at or near parity with the national civilian labor force (N-CLF), with the exception of Hispanics. Over the last five years, OCC has made progress in increasing our workforce population of minorities and hiring females generally at a rate equivalent to their N-CLF.

The OCC faces two primary challenges as a result of its low participation of (a) Hispanics in our overall workforce, specifically in non-mission critical occupations, and (b) females in our national bank examiner (NBE) occupation. The mission-critical occupations for the OCC are NBEs, attorneys, and economists, which account for 75% of our total workforce. While Hispanics are below the N-CLF in our overall workforce, they are participating at or near the occupational CLF (O-CLF) rate in these mission-critical occupations. The lower participation rate for Hispanics at the OCC occurs within other occupations such as Information Technology Specialists, Human Resources Specialists, Analysts, Secretaries/Clerks, etc. As the 2011 hiring rates for Hispanics were below their national and occupational CLFs, this will remain an area of focused attention for the OCC. Retention of Hispanics remains a challenge due to high separation rates and increasing retirement eligibility, necessitating the OCC's concerted efforts to achieve progress in this area.

Despite some progress, the OCC continues to have low participation of females in our NBE occupation. Although hiring and separation rates for female examiners improved in 2011, their overall participation in the workforce declined and remains below the O-CLF. Resignation rates for female examiners increased in 2011. (The OCC has experienced higher separation rates for all bank examiners due to increased retirement-eligibility rates.) This area continues to be a challenge for our supervision lines of business, and specifically in achieving full female participation in our NBE occupation.

The OCC is committed to increasing the recruitment, hiring, and retention of our diverse workforce, with concerted efforts on maximizing the participation of Hispanics in our non-mission critical occupations, and females in our bank examiner occupation. To address these areas of challenge, we will continue to monitor and evaluate our recruiting programs, especially our College Recruitment Coordinator (CRC) Program for entry-level NBEs, which has served as our primary recruitment/hiring pipeline. We continue to assess our recruiting programs to determine specific ways to expand our applicant pool sources, and establish more targeted relationships with professional organizations. We will continue to enhance our retention activities for employees, exploring more effective use of mentoring through our employee network groups.

In an effort to build and maximize diversity capacity among recruiters, the OCC will continue to provide ongoing recruitment training to ensure diverse segments of the population are reached, and a broad range and diverse pool of applicants are considered for employment. The OCC's recruitment efforts and results are shared through periodic briefings with executive and senior management, as well as all participants of the recruitment and hiring processes. These briefings include workforce trends, targeted recruitment, retention strategies, succession planning, and areas of special attention. The OCC's recruitment and hiring activities for fiscal year 2011 and the first quarter of 2012 included:

- Maintaining ongoing relationships with minority professional organizations and colleges and universities with large populations of minority and female students. In addition, the OCC recruited through summer internship programs with organizations such as Hispanic Association of Colleges and Universities (HACU), Washington Internships for Native Students (WINS), and INROADS, a non-profit organization that trains and develops talented minority students for professional careers in business and industry. The OCC partnered with Beta Alpha Psi, an honorary accounting organization that provides access to examiner candidates. The OCC sponsored the National Academy of Finance to provide summer employment opportunities to students from urban public school districts. OCC participated in a variety of conferences and career fairs, and utilized national and targeted publications to reach minorities and women.

- Partnering with OCC-sponsored employee network groups (including the Hispanic Organization for Leadership and Advancement and The Women's Network) to support recruitment and retention efforts. These groups have implemented ongoing programs such as mentoring circles and Boomerang (an initiative to encourage the return of former OCC employees) to assist in the career development and retention of our workforce.

- Analyzing the diversity data of its recruitment (including applicant pool data for mission-critical occupations), hiring, and separation activities as required by the Equal Employment Opportunity Commission Management Directive 715.

The OCC recognizes that the continued success of its mission depends on the employment of talented staff with high levels of expertise and will continue its commitment to achieving full participation of a diverse workforce.

5. Other information, findings, conclusions, and recommendations.

The OCC regulates and supervises 1,985 institutions, including 1,375 national banks and 610 federal savings associations. Their total assets are $9.6 trillion, representing 76 percent of total U.S. commercial banking assets.

The OCC's OMWI participates with an interagency group, focused on developing standards for assessing the diversity policies and practices of the entities regulated by each agency, as required by Section 342(b)(2)(C) of Dodd-Frank. Dodd-Frank specifically limits the scope of this provision and states that it does not mandate any requirement on or otherwise affect the lending policies and practices of any regulated entity or require any specific action based on the findings of the assessment. The goal of the interagency working group is to develop consistent and appropriate standards for diversity assessments. Consistent with the statute, we do not plan to impose reporting requirements or conduct examinations related to assessing diversity policies and procedures.

The regulated entities covered by section 342 vary greatly by asset size, complexity and market. Thus, the interagency group has planned a series of roundtable meetings with a variety of regulated entities' trade associations to solicit industry input and gather preliminary reactions and suggestions on possible approaches for implementing section 342. In February 2012, one such roundtable meeting was held with industry representatives. Following these consultations, we may engage in further information gathering in order to develop appropriate principles for diversity standards that ultimately could be used to conduct assessments, including self-assessments by regulated entities, of diversity policies and practices. One concern that has been raised by representatives of financial institutions is about the dissemination of any diversity policies and procedures or assessments that they may provide a regulatory agency in connection with our outreach.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

April 16, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson:

Enclosed please find my responses to the questions for the record submitted following the March 22, 2012, hearing on *"International Harmonization of Wall Street Reform: Orderly Liquidation, Derivatives, and the Volcker Rule."*

I hope the information provided is helpful to the Committee. If you have questions or need additional information, please contact Carrie Moore, Deputy Director for Congressional Liaison, at 202-874-1881.

Sincerely,

John Walsh
Chief of Staff and Public Affairs

Enclosure

<u>Questions for Mr. John G. Walsh, Acting Comptroller, Office of the Comptroller of the Currency, from Senator Toomey:</u>

<u>Question</u>: The proposed Volcker Rule applies to all companies that own an insured depository, and all subsidiaries and affiliates. In addition to traditional banks and bank holding companies, the rule seems to fully cover commercial companies that own a thrift or an industrial loan company, as well as all of the companies in which these covered entities may have a significant investment that makes the recipient of the investment an "affiliate". (Under the Bank Holding Company Act, investments as low as 5% can trigger affiliate status.) The so-called goal of the Volcker Rule was designed to limit risks at insured depositories so that banks wouldn't be using government insured deposit funds to "gamble" through proprietary trading or fund investing. But it seems that in reality, the rule will cover all sorts of industrial and commercial companies just because they are in some way "affiliated" with a depository. Similarly, the rule would cover a company that makes a large investment in another company that controls a depository, dissuading these types of strategic investments for fear of the investor becoming "infected" with the Volcker Rule.

Does it make any sense to apply the full restrictions and regulatory requirements to non-financial companies?

What can your agencies do in the regulations, particularly regarding your standards for determining what is an "affiliated" company, to make sure that the Volcker Rule does not burden non-financial companies in a way that was completely unintended by Congress?

<u>Answer</u>: Thank you for your questions concerning the joint notice of proposed rulemaking (Proposal) implementing section 619 of the Dodd-Frank Act. Because we are in the midst of this joint rulemaking, we are unable to express our views on the merits of any of the questions raised or provide interpretive advice on provisions of the Proposal.

The comment period on the Proposal closed on February 13, 2012, and the agencies are now in the process of reviewing and analyzing the over 18,000-comment letters received. We plan to carefully review and analyze these comment letters as we work towards a final rule.
Rest assured we will carefully consider the issues you have identified in your questions and plan to address these issues with the other agencies involved in this rulemaking in connection with development of a final rule.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

July 20, 2012

The Honorable Joseph Biden
United States Senate
Washington, DC 20510

Dear Mr. President:

In accordance with Section 322(k)(4) of Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Office of the Comptroller of the Currency is pleased to submit the enclosed report to Congress detailing the position assignments of transferred employees, the procedures and safeguards adopted pursuant to section 322(k)(3), and demonstrating how the requirements of section 322(k) were met.

If you have questions or need additional information, please contact me or Carrie Moore, Director, Office of Congressional Liaison, at (202) 874-4844.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

Enclosure

cc: The Honorable Tim Johnson, Chairman, Committee on Banking, Housing & Urban Affairs
The Honorable Richard Shelby, Ranking Member, Committee on Banking, Housing & Urban Affairs

REPORT TO CONGRESS

Submitted to the Congress
by the Office of the Comptroller of the Currency

Pursuant to Section 322(k)(4) of Title III of the
Dodd–Frank Wall Street Reform and Consumer
Protection Act

July 2012

I. Background

On July 21, 2010, President Obama signed into law the Dodd–Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank). Among other provisions, Dodd-Frank abolished the Office of Thrift Supervision (OTS) and transferred its authority to charter and regulate all Federal savings associations to the Office of the Comptroller of the Currency (OCC). The transfer of 668 OTS employees to the OCC occurred on July 21, 2011. A small number of OTS employees also transferred to either the Federal Deposit Insurance Corporation (FDIC) or the Consumer Financial Protection Bureau.

Section 322(k)(4) of Title III of Dodd-Frank requires the OCC, together with the FDIC, to conduct a study within one year of the transfer date, detailing the position assignments of all employees transferred, describing the procedures and safeguards adopted pursuant to section 322(k)(3), and demonstrating that the requirements of section 322(k) were met. The following report satisfies this requirement.

II. OCC Actions on Position Placements

As provided by Dodd-Frank, OTS employees transferred to the OCC would retain their status and tenure and, to the extent practicable, would be placed in positions at the OCC with the same functions and duties as they had on the day before their transfer date. For 30 months from the transfer date, a former OTS employee would not be involuntarily separated or reassigned outside his or her locality pay area (except in circumstances when the OCC determines that such a reassignment is necessary for the efficient operation of the agency), and would continue to be paid at a rate that is not less than the basic rate of pay he or she received during the pay period immediately preceding the transfer.

OCC faced the challenge of planning for the integration of approximately 900 OTS employees into OCC's existing human resources programs, systems, and benefits with minimal disruption to ongoing activities. (Note: 668 employees actually transferred on July 21, 2011.) In the year leading up to the transfer date, the OCC's Office of Human Resources (HR) worked closely with the OTS and developed methodologies and plans for this transfer. The methodologies and plans were designed to:

- Determine fair and appropriate classifications and pay band level determinations;
- Make position placements based on duties and responsibilities to be performed within OCC's existing job evaluation system; and
- Integrate new work into the OCC's structure, ensuring equity between OCC and transferred OTS employees.

One key integration decision was defining the terms "status" and 'tenure." These terms have defined meanings under Federal personnel law. "Status" refers to an employee's competitive or excepted service status. "Tenure" refers to the permanent or temporary nature of the employee's appointment. Neither provision guarantees an employee a particular position in the hierarchy of an organization or any rights to a particular position or level of management within the OCC.

A key integration challenge was the differences in the respective pay plans between the OCC and the OTS. OTS's pay plan had 30 pay levels while the OCC's pay plan consists of nine broad pay bands. As part of the integration process, the OCC relied on accepted Federal classification principles, practices, and the general principle that, to the extent practicable, OTS employees would be placed in positions responsible for the same functions and duties they had at OTS prior to the transfer. These challenges were resolved in accordance with the key decisions described below.

Key Decisions

1. Section 322(e)(2) of Dodd-Frank required that "to the extent practicable" transferred OTS employees be placed in positions at the OCC responsible for the same functions and duties they had on the day before the transfer. Under this standard, the OCC made placement decisions based on identifying OCC positions with the same "functions and duties," and assessing the duties being performed, given the staff's best understanding of the OTS work and the need to integrate OTS employees into existing OCC operations. The OCC made every effort to work closely with OTS human resources, leadership, employees, and subject-matter experts to gain a better understanding of OTS employee needs and concerns, as well as existing OTS programs, policies, and practices.

2. In placing OTS employees, the OCC assessed the quantity and complexity of the work that would be available at the OCC after the transfer date, as well as the application of prevailing OCC position management practices in light of the OCC's business needs. The OCC applied the same principles used to classify jobs at the OCC to fit OTS jobs in the OCC classification system. Because of the differences in classification policies and practices of the two agencies, the OCC could not rely on any direct mapping of jobs based on current OTS pay levels. Instead, functions and duties were the key elements in the placement decisions, which is consistent with the general practice at the OCC and the requirements of Dodd-Frank.

3. Section 322(f) of Dodd-Frank states that an examiner who transferred from OTS and continues to carry out examinations of the same type of institutions as the employee was responsible for on the day before the transfer date shall not be subject to any additional certification requirements before being placed in a comparable position at the OCC. In conducting a job comparability analysis, the OCC made decisions regarding the treatment of field examiners who did not possess the National Bank Examiner (NBE) accreditation. The OCC determined that OTS's Federal Thrift Regulator accreditation and the OCC's NBE commission are not completely comparable[1]. Therefore, the OCC established a

[1] The NBE commissioning process requires an examiner to demonstrate the requisite competence in not only the full range of safety and soundness issues, but also asset management, bank information systems, and compliance. The TG-18 OTS examiner was accredited in a single discipline (safety and soundness, compliance, asset management, or bank information technology). As OTS examiners earned accreditations in additional disciplines, they were promoted to TG-19 and above.

transitional pay band (NB-V-T) to accommodate former OTS examiners at the TG-18 grade level after the integration. This allowed accredited Federal Thrift Regulators at that level to continue to serve as Examiners-in-Charge of Federal savings associations. The salary range for this transitional pay band was identical to the TG-18 salary range. To address this issue for the longer term, the OCC engaged an external consulting firm to study the accreditation processes at both agencies and identify critical gaps between the two processes. Working with the consultant's industrial and organizational experts, along with a team of examiners from both the OCC legacy and OTS transferred populations, the team has identified alternative processes to fill these gaps and modifications to the Uniform Commissioned Examination to reflect the expanded responsibilities of supervising Federal savings associations.

4. The OCC also established a transitional pay band (NB-VI-T) for TG-21 examiners to recognize the progression these examiners accomplished during their OTS careers, while maintaining a reasonable alignment with the incumbent OCC examiner workforce and the available work after transition.

5. There were significant differences in the organizational structures of the two agencies. The OCC has a flatter organizational structure (i.e., fewer supervisory levels) than OTS's more traditional hierarchical structure. The OCC's structure tends toward higher supervisory ratios and therefore fewer managerial positions were available than in the OTS organization. As a result, there were fewer supervisory positions available within the OCC to accommodate the large number of former OTS employees who were in supervisory and managerial positions; some former OTS supervisors and managers were placed in positions without supervisory or managerial responsibilities. Nevertheless, while adhering to its position management principles, the OCC created a number of new management positions.

   In the bank supervision area alone, the OCC created over 40 new management positions to accommodate its expanded responsibilities and to ensure a reasonable span of control for managers with additional thrift supervision workload and staff. Additionally, to provide thrift supervision leadership continuity and facilitate the integration of the OTS into the OCC, some senior OTS managers responsible for savings association supervision accepted positions in the new bank supervision area several months prior to the transfer date. These advance placements were finalized in close collaboration with OTS executive leadership. The remaining managerial positions were filled competitively, open to both OCC and OTS staff. Selections were made in the spring of 2011 so that managers were in place as close to the transfer date as possible. This enabled the OCC to perform its new bank supervision duties immediately, and allowed transferring employees to be fully integrated into the OCC structure. Twenty-seven of these new bank supervision positions are occupied by prior OTS employees.

Pay Protection

Regardless of the results of the above position placement decisions, all former OTS employees were provided the salary and benefits protections required by Dodd-Frank. A significant decision made by the OCC was incorporating OTS into the OCC compensation program on the transfer date, rather than running dual pay systems for some period of time. This decision was based on the guiding principle of creating a fully integrated organization as quickly as possible. Since OTS pay was calculated very differently from OCC pay, this required the OCC to develop a methodology for identifying base pay and geographic pay components of total pay without a reduction to total pay. OCC's HR team worked collaboratively with OTS HR and their executive leadership to address this issue, and issued a joint communication to all OTS employees in March 2011 advising how various pay issues would be addressed.

For example, when a transferred employee's salary fit within the assigned OCC pay band for the assigned position, the employee's salary was set within that pay band, and the employee received the same salary as he or she received during the pay period immediately prior to the transfer date. When a transferred employee's former salary exceeded the OCC pay band range for the assigned position, the OCC ensured that the employee's pay was protected by setting the employee's salary at the same rate, even if it was above the maximum range of the appropriate pay band (also known as saved pay). This was the case for approximately 20 percent of transferred employees. The position placement letters sent to transferred OTS employees (described below) specified what the base salary and geographic pay would be.

Position Placement Notification

To place individual OTS employees into positions at the OCC, the OCC established a preliminary crosswalk prior to the transfer date that designated all incoming OTS employees to a specific OCC work unit. HR worked with OCC business unit managers to identify functions and duties required by the business unit to match them with the skills of the incoming OTS employees. HR then worked with managers to identify or create position descriptions for each transferring employee. The majority of incoming employees were examiners, so most of the work centered on the OCC's mission critical supervision functions and leadership.

Dodd-Frank required the OCC to provide OTS transferees notice of their position assignments not later than 120 days after the transfer date. The OCC, however, provided OTS employees their position placement notification letters at the beginning of May 2011, well ahead of the transfer date. (The OTS Acting Director was handled on a separate timetable, consistent with his responsibilities under Dodd-Frank to wind down the operations of OTS subsequent to the transfer date.) Each transferee received a letter that included the transferee's new job title, OCC series and band level, department/division, duty station, physical work location address, name of supervisor, and salary information. In addition, those employees whose salaries exceeded the assigned OCC pay band range (based on Dodd-Frank provisions), or whose salary was increased to reach the OCC minimum base pay amount, received letters explaining the reasons for saved pay or salary increases.

Of the 668 OTS employees transferred to the OCC, three employees submitted written requests for reconsideration of their position placements. All three requests were reviewed and responded to by the OCC's HR office. Requesters were given the reasons for their placement decisions and the method used, as well as the process involved in reviewing their requests. They were also given the opportunity to submit a written request for second-level reconsideration, if they did not agree with the first-level reconsideration decision.

Directed Geographic Reassignments

Section 322(g)(2)(C) of Dodd- Frank allows the OCC to reassign an employee outside the employee's locality pay area when the OCC determines the reassignment is necessary for the efficient operation of the agency. There were a number of transferees located in OTS duty stations where little to no OCC work or work of the type for which transferees qualified existed. To date, the OCC has directed the geographic reassignments of nine employees in three offices. Reassignments were made because the OCC determined that the positions occupied by the nine employees reassigned were deemed necessary at OCC locations outside the reassigned employees' locality pay area for the efficient operation of the OCC. All nine employees accepted the reassignments.

III. Quality Assurance Review Process

To ensure that equitable treatment was afforded to OTS transferees, the OCC conducted extensive systems testing to ensure that, as of the transfer date, all 668 OTS employees were transferred and paid properly. The result was no impact on the processing of actions related to the status, tenure, pay and benefits of transferred OTS employees. Because many processes related to the transfer of employees are electronic and involved integration of OTS employee records into OCC's electronic human resource management information systems, significant planning and coordination between the OCC, OTS, Department of the Treasury and the National Finance Center occurred.

In addition to internal reviews of OCC processes, the Treasury Office of the Inspector General (OIG) and an outside consultant reviewed the OCC's actions related to the transfer of OTS employees to the OCC. In the Offices of Inspector General report "Status of the Transfer of Office of Thrift Supervision Functions," dated March 21, 2012, Treasury's OIG sampled 119 of the 668 former OTS employees who transferred to the OCC and reviewed each employee's Standard Form 50, Notification of Personnel Action. They also reviewed the positions and related position descriptions. The OIG determined that transferees were placed in positions responsible for the same functions and duties, to the extent possible. While the OIG noted some instances in which former OTS supervisory employees were placed in non-supervisory positions, the OIG concluded that based on its review, it was not practical for the OCC to assign these supervisory employees to supervisory positions. In addition, the OIG observed that transferees' pay and benefits were not impacted; rather, transferees were protected in accordance with Dodd-Frank.

The Offices of Inspector General report referenced above, and the previous report with the same title by the Offices of Inspector General dated September 28, 2011, concluded that the OCC had procedures and safeguards in place to ensure that transferred OTS employees were not unfairly disadvantaged. Finally, the OCC contracted with a private sector consultant to perform a postintegration risk assessment. The consultant concluded that the OCC acted appropriately and made sound decisions regarding pay plan comparability and position placement decisions.

IV. Next Steps

While the OCC has successfully brought transferring employees into the OCC pay and classification system, there is still continued work in the area of aligning two different cultures with different human resources policies and programs. As part of the efforts to fully integrate the two workforces, the OCC has engaged a leading human capital consulting firm to administer a culture alignment assessment. The assessment will identify differences and similarities between the pre-integration OCC and OTS cultures and identify opportunities for creating a shared culture that supports all team members in performing their important duties. The culture alignment assessment includes the following:

- A survey to identify leaders' views on the pre-integration OCC and OTS cultures, and the ideal future OCC culture. A random sampling of approximately 125 managers, approximately 30 percent of whom are former OTS employees, were identified to participate in the survey.

- An all-employee survey to further understand views and to establish a baseline for integration priorities.

- Initiatives to address gaps and opportunities identified by the baseline survey.

- A re-survey of employees to assess progress toward closing gaps and opportunities identified in the baseline survey.

- Employee communication on what was learned and on action plans at key intervals in the process.

In addition, the OCC's continued workforce planning and analysis will focus on ensuring the OCC has sufficient resources to accomplish the additional demands of regulating the Federal thrift industry. It will also focus on developing the skills sets necessary for OCC examiners to examine thrift institutions and for former OTS examiners to examine national banks. The financial services industry continues to be stressed, which has created examiner resource issues for the OCC that will continue for some time. The OCC's workload has increased as a result of adding Federal thrifts to its portfolio of national banks, and the condition of many of those institutions continues to require extra examiner time and attention. Therefore, it is especially critical that the OCC focus on organizational culture and employee engagement so that the OCC can retain the current examiner resources.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

August 6, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

This letter transmits the First Quarter 2012 Report on performance of first-lien residential mortgages serviced by national banks and federal savings associations pursuant to section 104 of the Helping Families Save Their Homes Act of 2009 (Act).[1] Pursuant to section 312(b)(2)(B) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),[2] all functions of the OTS relating to federal savings associations were transferred to the OCC effective July 21, 2011. Accordingly, the OCC is submitting the enclosed report, which was previously submitted jointly by OCC and OTS.

The report covers more than 31 million first-lien mortgage loans totaling $5.3 trillion in principal balances, constituting approximately 60 percent of all first-lien mortgages outstanding in the United States,[3] and provides information on loan performance, including loan modification and home forfeiture actions, over the period from the beginning of the first quarter of 2011 through the end of the first quarter of 2012. For purposes of this report, performance of modified loans is measured beginning three months after the modification. As a result, the performance information on modified loans shown in this report reflects all modifications implemented by the reporting institutions through the end of the fourth quarter of 2011. The report provides information on all types of mortgages serviced, including subprime mortgages.

The report includes information specifically required by section 104 of the Act, as amended by section 1493(a) of the Dodd-Frank Act, requiring the information to be provided for each state,[4] as follows: (1) the total number of mortgage modifications resulting in the modification of terms or combinations of terms, such as interest rate reductions, and reductions or deferrals of principal

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[1] Pub. L. No. 111-22, § 104, 123 Stat. 1632, 1636 – 37 (2009).
[2] Pub. L. No. 111-203, § 312(b)(2)(B), 124 Stat. 1376, 1522 (2010).
[3] Based on the Federal Reserve Board's first quarter 2012 Flow of Funds statistical release.
[4] Pub. L. No. 111-203, § 1493(a), 124 Stat. 1376, 2206 – 07 (2010).

(pages 59 and 61); (2) the total number of mortgage modifications resulting in changes to total monthly principal and interest payments (page 63); and (3) the total number of loans that were modified and then went into default, where the loan modification resulted in monthly payments that increased or decreased (page 65).

Questions about the information we have provided may be directed to Carrie Moore, Director, Congressional Liaison, (202) 874-4844.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

Enclosure

Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

OCC Mortgage Metrics Report

Disclosure of National Bank and Federal Savings Association Mortgage Loan Data

First Quarter 2012

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

June 2012

Contents

Executive Summary

This *OCC Mortgage Metrics Report* for the first quarter of 2012 provides performance data on first-lien residential mortgages serviced by selected national and federal savings banks. The mortgages in this portfolio comprise 60 percent of all mortgages outstanding in the United States—31.0 million loans totaling $5.3 trillion in principal balances. This report provides information on their performance through March 31, 2012.

The overall quality of the portfolio of serviced mortgages improved during the quarter with the percentage of mortgages that were current and performing at 88.9 percent, the highest level in three years. The percentages of mortgages that were 30 to 59 and 60 to 89 days delinquent also decreased to their lowest levels since the OCC began publishing the Mortgage Metrics report in first quarter of 2008 (see table 7). This improvement can be attributed to several factors, including strengthening economic conditions during the quarter, seasonal effects, servicing transfers, and the ongoing effects of both home retention loan modification programs as well as home forfeiture actions.

While the number of foreclosures in process has decreased from a year ago, the percentage of mortgages that were in the process of foreclosure at the end of the first quarter of 2012 increased by 1.8 percent from the previous quarter and 2.3 percent from a year earlier. The number of newly initiated foreclosures decreased by 1.8 percent from the previous quarter and 8.1 percent from a year earlier. The decrease in new foreclosures reflects the continued emphasis on home retention actions as well as the decrease in the number of seriously delinquent loans over the past few quarters. Many servicers have also slowed new foreclosure referrals in response to changing servicing standards and requirements. The number of completed foreclosures increased by 5.9 percent from the previous quarter and 2.7 percent a year earlier as the large number of foreclosures in process continues to progress.

Servicers continued to emphasize alternatives to foreclosure during the quarter, initiating nearly twice as many new home retention actions—loan modifications, trial-period plans, and payment plans—as completed foreclosures, short sales, and deed-in-lieu-of-foreclosure transactions. Servicers implemented 352,989 new home retention actions during the quarter, while starting 286,951 new foreclosures. The number of home retention actions implemented by servicers decreased 23.3 percent from the previous quarter and 36.7 percent from a year earlier as delinquencies have fallen to three-year lows and servicers exhaust alternatives to assist delinquent borrowers who have not already been assisted through available home retention programs.

Mortgage Performance

- The percentage of mortgages that were current and performing increased to 88.9 percent at the end of the first quarter of 2012 (see table 7).
- The percentage of mortgages in the portfolio that were 30 to 59 days delinquent at the end of the first quarter decreased by 17.3 percent from the previous quarter and by 3.8 percent from a year earlier (see table 7).
- The percentage of mortgages in the portfolio that were seriously delinquent at the end of the quarter was 4.5 percent—down 10.4 percent from the previous quarter and 6.2 percent from a year earlier (see table 7).

- The quality of serviced government-guaranteed mortgages improved during the quarter. Mortgages that were current and performing increased to 85.9 percent from 84.2 percent in the prior quarter. The percentage of these mortgages that were current and performing a year earlier was 87.0 percent (see table 9).

- Mortgages serviced for Fannie Mae and Freddie Mac (government-sponsored enterprises or GSEs) made up the majority—59 percent—of mortgages in the reporting servicers' portfolios. The overall percentage of these mortgages that were current and performing has remained relatively constant over the last year. The percentage of these mortgages that were current and performing at the end of the quarter was 93.7 percent (see table 10).

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

- Servicers implemented 352,989 new home retention actions—modifications, trial-period plans, and payment plans—during the first quarter of 2012 (see table 1). This was nearly twice the number of completed foreclosures, short sales, and deed-in-lieu-of-foreclosure actions during the quarter (see table 5). The number of new home retention actions in the first quarter decreased by 23.3 percent percent from the previous quarter and decreased 36.7 percent from a year earlier.

- New home retention actions comprised 102,158 modifications, 129,016 trial-period plans, and 121,815 payment plans during the quarter. Home Affordable Modification Program (HAMP) modifications decreased 13.5 percent from the previous quarter to 36,554. Other modifications decreased by 11.2 percent to 65,604. Trial-period plans also decreased with HAMP trial-period plans decreasing by 2.9 percent and other trial-period plans decreasing 44.0 percent from the previous quarter.[1] During the past five quarters, servicers initiated more than 2.2 million home retention actions (see table 1) and more than 2.5 million modifications since 2008 (see table 2).

Table 1. Number of New Home Retention Actions

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Other Modifications	106,650	80,398	83,598	73,878	65,604	-11.2%	-38.5%
HAMP Modifications	53,250	70,071	53,341	42,275	36,554	-13.5%	-31.4%
Other Trial-Period Plans	181.099	118.928	127,528	182,856	102,486	-44.0%	-43.4%
HAMP Trial-Period Plans	57,849	44,148	29,338	27,323	26,530	-2.9%	-54.0%
Payment Plans	158,821	142,678	164,566	133,881	121,815	-9.0%	-23.3%
Total	557,469	456,223	458,971	460,213	352,989	-23.3%	-36.7%

- Servicers reduced interest rates in 80.6 percent of all modifications made during the first quarter of 2012. Term extensions were used in 73.7 percent of modifications, principal deferrals in 24.6 percent, and principal reductions in 10.2 percent (see table 17). Among HAMP modifications, servicers reduced interest rates in 89.9 percent of those modifications,

[1] In the fourth quarter of 2011 certain servicers converted a significant number of borrowers in existing payment plans to trial period plans.

deferred principal in 32.8 percent, and reduced principal in 20.7 percent of all HAMP modifications (see table 18).

- Servicers reduced monthly principal and interest payments in 91.5 percent of modifications made in the quarter (see table 22). Servicers reduced monthly payments by an average of 27.4 percent for all borrowers who qualified for modifications, with an average decrease of \$437. HAMP modifications reduced payments by an average of \$588, or 35.4 percent, and other modifications reduced monthly payments by \$353, or 22.9 percent (see table 24).

Modified Loan Performance

- Servicers modified 2,543,133 mortgages from the beginning of 2008 through the end of the fourth quarter of 2011. At the end of the first quarter of 2012, 50.7 percent of these modifications remained current or were paid off. Another 7.1 percent were 30 to 59 days delinquent, and 15.1 percent were seriously delinquent. Almost 11 percent were in the process of foreclosure, and 6.3 percent had completed the foreclosure process. More recent modifications that emphasized reduced payments, affordability and sustainability have outperformed modifications implemented in earlier periods (see table 2).

Table 2. Status of Mortgages Modified in 2008–2011

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	445,354	26.2%	5.3%	15.9%	16.1%	15.0%	3.3%	18.2%
2009	594,350	38.7%	6.6%	17.2%	14.1%	9.1%	2.0%	12.3%
2010	939,368	53.7%	7.5%	14.6%	9.9%	3.8%	0.8%	9.7%
2011	564,061	71.5%	8.6%	12.9%	4.8%	0.6%	0.3%	1.3%
Total	2,543,133	49.3%	7.1%	15.1%	10.8%	6.3%	1.4%	9.9%
HAMP Modification Performance Compared With Other Modifications**								
Other Modifications	1,194,442	53.4%	8.3%	16.8%	9.8%	4.1%	1.0%	6.6%
HAMP Modifications	565,751	68.2%	6.5%	9.3%	6.0%	1.9%	0.4%	7.7%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,511,900	57.9%	7.1%	12.4%	8.3%	3.8%	0.9%	9.5%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	1,031,233	36.8%	7.1%	18.9%	14.5%	9.9%	2.2%	10.5%

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

**Modifications used to compare with HAMP modifications only include modifications implemented from the third quarter of 2009 through the fourth quarter of 2011.

- HAMP modifications perform better than other modifications. Of the 565,751 HAMP modifications implemented since the third quarter of 2009, 68.2 percent remained current, compared with 53.4 percent of other modifications implemented during the same period (see table 2). The better performance of HAMP modifications reflects significantly reduced monthly payments, its emphasis on affordability relative to borrower income, required income verification, and successfully completing a required trial period.

- Modifications that reduced borrower monthly payments by 10 percent or more performed better than those that reduced payments by less than 10 percent—the greater the payment decrease, the better the subsequent performance. At the end of the first quarter of 2012, 57.9 percent of modifications that reduced payments by 10 percent or more were current and performing, compared with 36.8 percent of those that reduced payments by less (see table 2).
- Modifications on mortgages held in the servicers' own portfolios or serviced for the GSEs performed better than modifications on mortgages serviced for others. Of the modifications implemented from January 1, 2008 through March 31, 2011 that were in effect at least one year, 23.4 percent of modifications on mortgages held in the servicers' own portfolios were 60 or more days delinquent after 12 months, 27.0 percent of Fannie Mae mortgages were 60 or more days delinquent, and 26.7 percent of Freddie Mac mortgages were 60 or more days delinquent after 12 months. Conversely, 48.3 percent of government-guaranteed mortgages and 45.8 percent of private investor-held loans were 60 or more days delinquent after 12 months. This variance may reflect differences in the underlying risk characteristics of the loans, differences in the modification programs, and servicers' additional flexibility when modifying mortgages they owned compared with mortgages serviced for others (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	11.4%	18.3%	23.4%	27.0%
Freddie Mac	12.3%	18.5%	23.1%	26.7%
Government-Guaranteed	17.0%	34.2%	43.8%	48.3%
Private	23.3%	33.6%	40.8%	45.8%
Portfolio Loans	7.8%	14.7%	19.9%	23.4%
Overall	15.6%	25.4%	31.9%	36.2%

*Data include all modifications made since January 1, 2008 that have aged the indicated number of months.

Foreclosures and Other Home Forfeiture Actions

- Newly initiated foreclosures decreased 1.8 percent from the previous quarter and 8.1 percent from a year earlier. The number of foreclosures in process increased 0.6 percent from the previous quarter but decreased 3.0 percent from a year earlier (see table 4). This reduction in new foreclosures is attributable to servicers' ongoing emphasis on modifications and other loss mitigation programs, a declining number of seriously delinquent mortgages over the last year, and slower initiation of new foreclosure referrals.

Table 4. **New Foreclosures and Foreclosures in Process**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Newly Initiated Foreclosures	312,235	287,162	347,726	292,173	286,951	-1.8%	-8.1%
Foreclosures in Process	1,308,757	1,319,987	1,327,077	1,262,294	1,269,921	0.6%	-3.0%

- Home forfeiture actions totaled 185,781 at the end of the quarter—an increase of 1.9 percent from the previous quarter and 8.3 percent from a year earlier. Completed foreclosures increased 5.9 percent from the previous quarter and 2.7 percent from a year earlier. New short sales decreased by 5.2 percent from the previous quarter, but increased 19.7 percent from a year earlier, and comprise nearly one-third of home forfeiture actions. New deed-in-lieu-of-foreclosure actions decreased by 4.5 percent from the previous quarter but increased 65.1 percent from a year earlier (see table 5).

Table 5. Completed Foreclosures and Other Home Forfeiture Actions

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Completed Foreclosures	119,739	121,209	113,202	116,159	122,979	5.9%	2.7%
New Short Sales	50,108	56,406	57,479	63,257	59,996	-5.2%	19.7%
New Deed-in-Lieu-of-Foreclosure Actions	1,700	2,547	2,620	2,939	2,806	-4.5%	65.1%
Total	171,547	180,162	173,301	182,355	185,781	1.9%	8.3%

About Mortgage Metrics

The *OCC Mortgage Metrics Report* presents data on first-lien residential mortgages serviced by nine national and federal savings banks with the largest mortgage-servicing portfolios.[2] The data represent 60 percent of all first-lien residential mortgages outstanding in the country and focuses on credit performance, loss mitigation efforts, and foreclosures. More than 92 percent of the mortgages in the portfolio were serviced for investors other than the reporting institutions. At the end of March 2012, the reporting institutions serviced 31.0 million first-lien mortgage loans, totaling more than $5.3 trillion in unpaid balances (see table 6).

Although the loans reflected in this report represent a large percentage of the overall mortgage industry, they do not represent a statistically random sample of all mortgage loans. The characteristics of these loans may differ from the overall population of mortgages. This report does not attempt to quantify or adjust for known seasonal effects that occur within the mortgage industry.

In addition to providing information to the public, the report and its data support the supervision of national bank and thrift mortgage-servicing practices. Examiners use the data to help assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and necessary loan-loss reserves, and assess 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 and the participating institutions devote significant resources to ensuring that the information is reliable and accurate. Steps to ensure the validity of the data include quality assurance processes conducted by the banks and savings association, comprehensive data validation tests performed by a third-party data aggregator, and comparisons with the institutions' quarterly call and thrift financial reports. Data sets of this size and scope inevitably incur some degree of missing or inconsistent data and other imperfections. The OCC requires servicers to adjust previous data submissions when errors and omissions are detected. In some cases, data presented in this report reflect resubmissions from institutions that restate and correct earlier information.

The report also includes mortgage modification data by state and territories in appendix E. These data fulfill reporting requirements in the Dodd–Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203).

Definitions and Method

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

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

[2] The eight national banks are Bank of America, JPMorgan Chase, Citibank, HSBC, MetLife, PNC, U.S. Bank, and Wells Fargo. The federal savings association is OneWest Bank.

- **Subprime**—below 620.

Approximately 11 percent of mortgages in the portfolio were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime mortgages. In large part, the lack of credit scores results from acquisitions of portfolios from third parties for which borrower credit scores at origination were not available.

Additional definitions include:

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

- **Deed-in-lieu-of-foreclosure actions**—Actions in which borrowers transfer ownership of the properties (deeds) to servicers in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on borrowers' credit records. Deed-in-lieu-of-foreclosure actions typically have a less adverse impact than foreclosures on borrowers' credit records.

- **Foreclosures in process**—Number of mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the foreclosure process. 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 return their mortgages to current and performing status.

- **Government-guaranteed mortgages**—All mortgages with an explicit guaranty from the U.S. government, including the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and, to a lesser extent, certain other departments. These loans may be held in pools backing Government National Mortgage Association (Ginnie Mae) securities, owned by or securitized through different third-party investors, or held in the portfolios of reporting institutions.

- **Home retention actions**—Loan modifications, trial-period plans, and payment plans that allow borrowers to retain ownership and occupancy of their homes while attempting to return the loans to a current and performing status.

- **Loan modifications**—Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.

- **Newly initiated foreclosures**—Mortgages for which the servicers initiate formal foreclosure proceedings during the quarter. 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 in order to return mortgages to a current and performing status.

- **Payment-option, adjustable rate mortgages (ARM)**—Mortgages that allow borrowers to choose a monthly payment that may initially reduce principal, pay interest only, or result in negative amortization, when some amount of unpaid interest is added to the principal balance of the loan and results in an increased balance.

- **Principal deferral modifications**—Modifications that remove a portion of the principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications**—Modifications that permanently forgive a portion of the principal amount owed on a mortgage.
- **Re-default rates**—Percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As measures of delinquency, this report presents re-default rates using 30, 60, and 90 or more days delinquent and in process of foreclosure. It focuses on the 60-day-delinquent measure. All re-default data presented in this report are based on modified loans in effect for the specified amount of time after the modification. All loans that have been repaid in full, been refinanced, been sold, or completed the foreclosure process are removed from the calculation. Data include only modifications that have had time to age the indicated number of months following the modification.
- **Seriously delinquent loans**—Mortgages that are 60 or more days past due, and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **Short sales**—Sales of the mortgaged properties at prices that net less than the total amount due on the mortgages. Servicers and borrowers negotiate repayment programs, forbearance, or forgiveness for any remaining deficiency on the debt. Short sales typically have a less adverse impact than foreclosures 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 permanent following the successful completion of the trial period.

Loan delinquencies are reported using the Mortgage Bankers Association convention that a loan is past due when a scheduled payment is unpaid for 30 days or more. The statistics and calculated ratios are based on the number of loans rather than on the dollar amount outstanding.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, which is rounded to two decimal places. The report uses whole numbers when approximating. Values in tables may not total 100 percent because of rounding.

In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 3/31/12), quarter-to-quarter changes are shown under the column "1Q %Change" column, and year-to-year changes are shown under the column "1Y %Change" column.

In tables throughout this report, percentages shown under "1Q %Change" and "1Y %Change" are calculated using actual data, not the rounded values reported for each quarter. Calculating period-to-period changes from the rounded values reported in the tables may yield materially different values than those values indicated in the table.

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

PART I: Mortgage Performance

Part I describes the performance of the overall mortgage portfolio, mortgages owned and held by the reporting banks and savings association, government-guaranteed mortgages, mortgages serviced for the GSEs, and mortgages within each risk category.

Overall Mortgage Portfolio

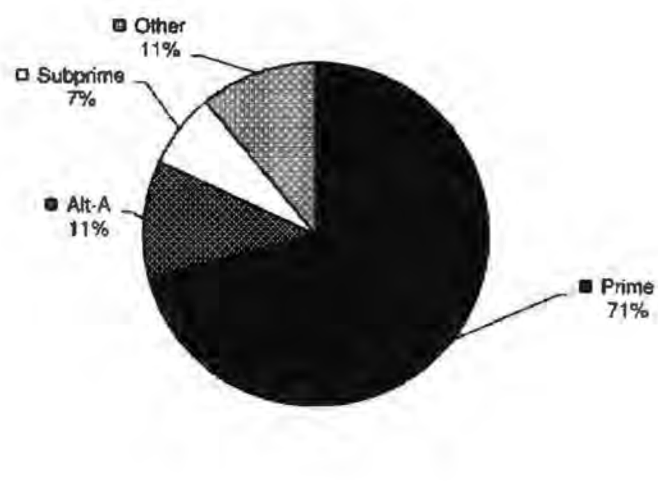
At the end of the first quarter of 2012, the servicing portfolio included 31.0 million loans with $5.3 trillion in unpaid balances (see table 6). Portfolio composition has remained essentially the same over the past year. Prime loans were 71 percent of the portfolio at quarter end, increased from 70 percent a year ago. Alt A and other loans were both 11 percent of the portfolio at quarter end, and subprime loans were 7 percent of the total serviced portfolio.

Table 6. Overall Mortgage Portfolio

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12
Total Servicing (Millions)	$5,686,103	$5,682,951	$5,598,366	$5,415,566	$5,332,795
Total Servicing (Number of Loans)	32,713,033	32,769,737	32,434,997	31,361,140	31,026,381
Composition (Percentage of All Mortgages in the Portfolio)					
Prime	70%	70%	70%	71%	71%
Alt-A	11%	11%	11%	11%	11%
Subprime	7%	8%	7%	7%	7%
Other	12%	12%	12%	11%	11%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,804,671	22,904,910	22,765,207	22,311,549	22,142,982
Alt-A	3,505,201	3,522,896	3,499,907	3,368,098	3,359,124
Subprime	2,418,112	2,476,801	2,426,056	2,307,692	2,260,455
Other	3,985,049	3,865,130	3,749,827	3,373,801	3,263,820

Figure 1. Portfolio Composition

Percentage of All Mortgage Loans in the Portfolio

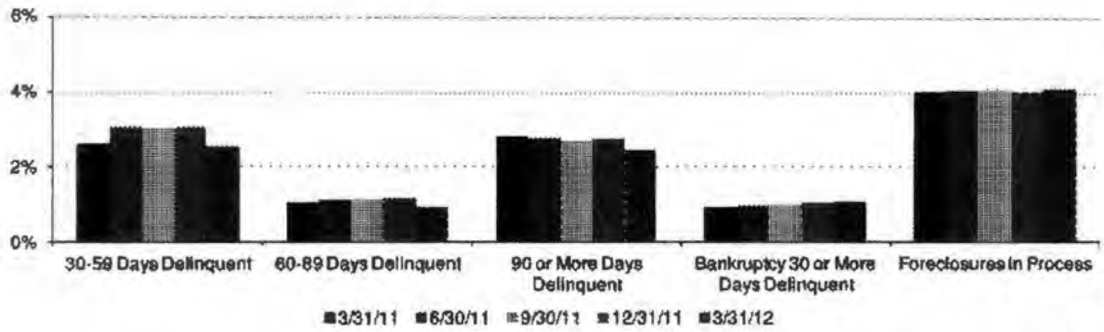


Overall Mortgage Performance

The overall performance of the portfolio of mortgages serviced by reporting banks and thrift improved from both the previous quarter and a year earlier. The percentage of mortgages that were current and performing at the end of the quarter was 88.9 percent, the highest level in three years. The percentages of mortgages that were 30 to 59 and 60 to 89 days past due decreased to their lowest levels since the the OCC began publishing the *Mortgage Metrics Report* (see table 7). Mortgages 30 to 59 days delinquent at quarter end were 2.5 percent of the portfolio, down 17.3 percent from the previous quarter and 3.8 percent from a year earlier. Seriously delinquent mortgages (those 60 or more days past due or in bankruptcy and 30 or more days past due) were 4.5 percent of the portfolio at quarter end, down 10.4 percent from the previous quarter and 6.2 percent from a year earlier. Foreclosures in process at the end of the quarter were 4.1 percent of the portfolio, up 1.8 percent from the prior quarter and 2.3 percent from a year earlier. The number of foreclosures in process increased 0.6 percent from the previous quarter but decreased 3.0 percent from a year earlier. The improvement in performance reflected in this report may not be generalized to the overall population of mortgage in the United States.

***Table 7.* Overall Portfolio Performance**							
(Percentage of Mortgages in the Portfolio)							
	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	1Q %Change	1Y %Change
Current and Performing	88.6%	88.1%	88.0%	88.0%	88.9%	1.1%	0.3%
30–59 Days Delinquent	2.6%	3.0%	3.0%	3.0%	2.5%	-17.3%	-3.8%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.0%	1.1%	1.2%	1.2%	0.9%	-20.5%	-9.6%
90 or More Days Delinquent	2.8%	2.8%	2.7%	2.8%	2.5%	-11.3%	-12.9%
Bankruptcy 30 or More Days Delinquent	0.9%	1.0%	1.0%	1.0%	1.1%	3.7%	18.3%
Subtotal for Seriously Delinquent	**4.8%**	**4.9%**	**4.9%**	**5.0%**	**4.5%**	**-10.4%**	**-6.2%**
Foreclosures in Process	4.0%	4.0%	4.1%	4.0%	4.1%	1.8%	2.3%
(Number of Mortgages in the Portfolio)							
Current and Performing	28,991,538	28,853,845	28,550,780	27,600,497	27,589,940	0.0%	-4.8%
30–59 Days Delinquent	853,484	996,859	972,715	952,719	779,022	-18.2%	-8.7%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	340,258	371,716	384,638	371,164	291,663	-21.4%	-14.3%
90 or More Days Delinquent	920,363	910,183	875,943	867,508	760,736	-12.9%	-17.3%
Bankruptcy 30 or More Days Delinquent	298,633	317,147	323,844	326,958	335,099	2.5%	12.2%
Subtotal for Seriously Delinquent	**1,559,254**	**1,599,046**	**1,584,425**	**1,565,630**	**1,387,498**	**-11.4%**	**-11.0%**
Foreclosures in Process	1,308,757	1,319,987	1,327,077	1,262,294	1,269,921	0.6%	-3.0%
Total	**32,713,033**	**32,769,737**	**32,434,997**	**31,381,140**	**31,026,301**	**-1.1%**	**-5.2%**

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



Performance of Mortgages Held by Reporting Banks and Thrift

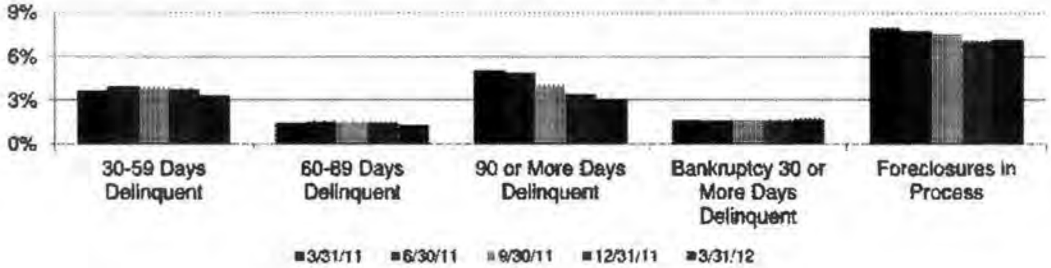
The nine reporting institutions held 7.5 percent of all mortgages reviewed in their own portfolios (excluding government-guaranteed mortgages.) The remaining mortgages were serviced for others. The performance of mortgages held by the reporting banks improved during the quarter (see table 8). The percentage of these mortgages that were current at the end of the quarter was 83.5 percent, increased from 82.6 percent the previous quarter and 80.4 percent a year earlier. The percentage of these mortgages that were 30 to 59 days delinquent at the end of the quarter was 3.3 percent, a 12.4 percent reduction from the previous quarter and 9.1 percent reduction from a year earlier. The percentage of these mortgages that were seriously delinquent at quarter end was 6.0 percent, down 7.4 percent from the prior quarter and 24.7 percent from a year earlier. The percentage of these mortgages in the process of foreclosure was 7.1 percent, a 0.7 percent increase from the previous quarter but a 9.9 percent decrease from a year earlier. Historically, mortgages held by the reporting institutions have underperformed mortgages serviced for the GSEs, but performed better than government guaranteed mortgages. Mortgages held in bank portfolios include concentrations of loans with non-conforming risk characteristics that fall between GSE and government-guaranteed underwriting criteria, loans on properties located in weaker geographic markets acquired through the purchase of failed institutions, or more recently, loans repurchased from investors.

Table 8. Performance of Mortgages Held by Reporting Banks and Thrift (Percentage)*

	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	1Q %Change	1Y %Change
Current and Performing	80.4%	80.3%	81.4%	82.6%	83.5%	1.1%	3.9%
30–59 Days Delinquent	3.6%	4.0%	3.8%	3.8%	3.3%	-12.4%	-9.1%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.4%	1.5%	1.5%	1.5%	1.3%	-14.7%	-9.6%
90 or More Days Delinquent	5.0%	4.8%	4.0%	3.4%	3.1%	-9.0%	-39.0%
Bankruptcy 30 or More Days Delinquent	1.6%	1.6%	1.7%	1.6%	1.7%	2.8%	7.8%
Subtotal for Seriously Delinquent	**8.0%**	**8.0%**	**7.2%**	**6.5%**	**6.0%**	**-7.4%**	**-24.7%**
Foreclosures in Process	7.9%	7.8%	7.5%	7.1%	7.1%	0.7%	-9.9%
Performance of Mortgages Held by Reporting Banks and Thrift (Number)							
Current and Performing	1,899,820	1,870,675	1,909,516	1,971,555	1,939,317	-1.6%	2.1%
30–59 Days Delinquent	86,162	92,252	90,050	90,346	76,969	-14.8%	-10.7%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	33,286	35,294	35,875	35,636	29,561	-17.0%	-11.2%
90 or More Days Delinquent	118,853	113,134	94,524	80,609	71,355	-11.5%	-40.0%
Bankruptcy 30 or More Days Delinquent	36,963	37,712	38,799	39,148	39,150	0.0%	5.9%
Subtotal for Seriously Delinquent	**189,202**	**186,140**	**168,998**	**155,393**	**140,066**	**-9.8%**	**-26.0%**
Foreclosures in Process	187,173	180,549	175,969	169,064	165,679	-2.0%	-11.5%
Total	**2,362,357**	**2,329,616**	**2,344,533**	**2,386,359**	**2,322,031**	**-2.7%**	**-1.7%**

*The data in this table exclude government-guaranteed mortgages owned and held by the reporting institutions.

Figure 3. **Performance of Mortgages Held by Reporting Banks and Thrift**



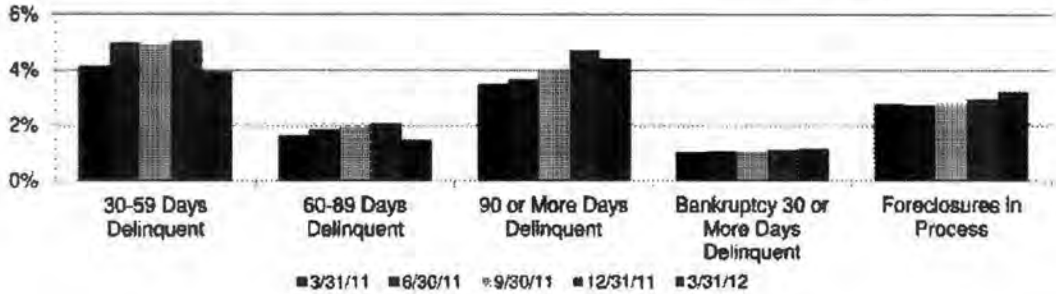
Performance of Government-Guaranteed Mortgages

Government-guaranteed mortgages were 22.3 percent of the portfolio at the end of the quarter, increased from 20.2 percent a year earlier. The performance of government-guaranteed mortgages improved in the first quarter but remained substantially weaker than a year earlier (see table 9). The percentage of these loans that were current and performing was 85.9 percent at the end of the quarter, up from 84.2 percent at the end of the previous quarter but down from 87.0 percent a year earlier. The percentage of these loans that were 30 to 59 days delinquent was 3.9 percent at the end of the quarter, a 22.4 percent decrease from the previous quarter and 5.1 percent decrease from a year earlier. The percentage of these loans that were seriously delinquent was 7.0 percent at quarter end, down 10.5 percent from the previous quarter but increased 14.8 percent from a year earlier. The percentage of these loans in the process of foreclosure at the end of the quarter was 3.2 percent, up 9.4 percent from the previous quarter and 16.7 percent from a year earlier. More than 79 percent of these loans were FHA loans, 15 percent were VA loans, and 6 percent were other government-guaranteed mortgages. Almost 86 percent of the government-guaranteed mortgages were in pools of loans backing Ginnie Mae securities.

Table 9. Performance of Government-Guaranteed Mortgages (Percentage)

	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	1Q %Change	1Y %Change
Current and Performing	87.0%	85.7%	85.2%	84.2%	85.9%	2.0%	-1.3%
30–59 Days Delinquent	4.1%	5.0%	4.9%	5.0%	3.9%	-22.4%	-5.1%
	The Following Three Categories Are Classified as Seriously Delinquent						
60–89 Days Delinquent	1.6%	1.9%	2.0%	2.0%	1.5%	-27.8%	-8.6%
90 or More Days Delinquent	3.5%	3.6%	4.1%	4.7%	4.4%	-6.3%	25.6%
Bankruptcy 30 or More Days Delinquent	1.0%	1.1%	1.1%	1.1%	1.1%	3.4%	11.6%
Subtotal for Seriously Delinquent	**6.1%**	**6.6%**	**7.1%**	**7.8%**	**7.0%**	**-10.5%**	**14.8%**
Foreclosures in Process	2.8%	2.7%	2.8%	2.9%	3.2%	9.4%	16.7%
	Performance of Government-Guaranteed Mortgages (Number)						
Current and Performing	5,743,866	5,826,732	5,914,032	5,786,600	5,940,585	3.0%	3.4%
30–59 Days Delinquent	272,272	338,346	342,104	345,295	270,710	-21.6%	-0.6%
	The Following Three Categories Are Classified as Seriously Delinquent						
60–89 Days Delinquent	106,493	126,264	136,485	139,849	101,989	-27.1%	-4.2%
90 or More Days Delinquent	229,401	247,804	281,264	321,608	304,492	-5.3%	32.7%
Bankruptcy 30 or More Days Delinquent	67,748	71,810	73,375	75,869	79,266	4.5%	17.0%
Subtotal for Seriously Delinquent	**403,642**	**445,878**	**491,124**	**537,326**	**485,747**	**-9.6%**	**20.3%**
Foreclosures in Process	182,041	185,423	191,055	201,460	222,648	10.5%	22.3%
Total	**6,601,821**	**6,796,379**	**6,938,315**	**6,850,881**	**6,919,690**	**1.0%**	**4.8%**

***Figure 4.* Performance of Government-Guaranteed Mortgages**



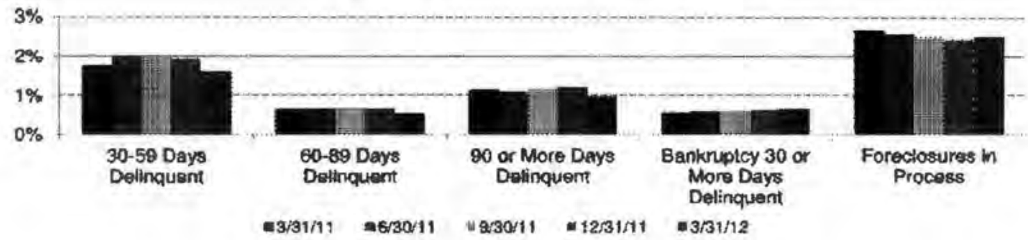
Performance of GSE Mortgages

GSE mortgages made up 59 percent of the overall portfolio, down from 61 percent a year earlier. The portfolio of GSE mortgages performs better than the overall portfolio because it contains more prime loans. The percentage of GSE mortgages that were current and performing at the end of the first quarter of 2012 was 93.7 percent, up from 93.1 percent the previous quarter and 93.2 percent a year earlier (see table 10). The percentage of GSE mortgages that were 30 to 59 days delinquent at the end of the quarter was 1.6 percent, down 16 percent from the previous quarter and 8.0 percent from a year earlier. The percentage of GSE mortgages that were seriously delinquent was 2.2 percent, down 14.2 percent from the previous quarter and 7.4 percent a year earlier. The percentage of these loans in the process of foreclosure was 2.5 percent, up 3.3 percent from the previous quarter but down 6.1 percent from the previous year. Of the GSE mortgages, 59 percent were serviced for Fannie Mae and 41 percent for Freddie Mac.

Table 10. Performance of GSE Mortgages (Percentage)

	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	1Q %Change	1Y %Change
Current and Performing	93.2%	93.1%	93.1%	93.1%	93.7%	0.6%	0.5%
30–59 Days Delinquent	1.8%	2.0%	2.0%	1.9%	1.6%	-16.0%	-8.0%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	0.6%	0.7%	0.7%	0.7%	0.5%	-17.6%	-15.9%
90 or More Days Delinquent	1.1%	1.1%	1.2%	1.2%	1.0%	-21.1%	-14.7%
Bankruptcy 30 or More Days Delinquent	0.6%	0.6%	0.6%	0.6%	0.6%	2.6%	17.4%
Subtotal for Seriously Delinquent	**2.3%**	**2.3%**	**2.5%**	**2.5%**	**2.2%**	**-14.2%**	**-7.4%**
Foreclosures in Process	2.7%	2.6%	2.5%	2.4%	2.5%	3.3%	-6.1%
Performance of GSE Mortgages (Number)							
Current and Performing	18,538,139	18,351,805	18,011,823	17,285,388	17,153,725	-0.6%	-7.5%
30–59 Days Delinquent	350,152	396,676	379,596	357,477	296,501	-17.1%	-15.3%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	127,382	131,893	133,734	121,162	98,584	-18.6%	-22.6%
90 or More Days Delinquent	225,997	214,952	227,724	227,880	177,483	-22.1%	-21.5%
Bankruptcy 30 or More Days Delinquent	109,607	115,311	115,759	116,843	118,413	1.3%	8.0%
Subtotal for Seriously Delinquent	**462,986**	**462,156**	**477,217**	**465,885**	**394,480**	**-15.3%**	**-14.8%**
Foreclosures in Process	530,004	507,925	484,867	449,138	458,137	2.0%	-13.6%
Total	**18,881,281**	**19,718,562**	**19,353,303**	**18,537,888**	**18,302,843**	**-1.3%**	**-7.9%**

***Figure 5.* Performance of GSE Mortgages**



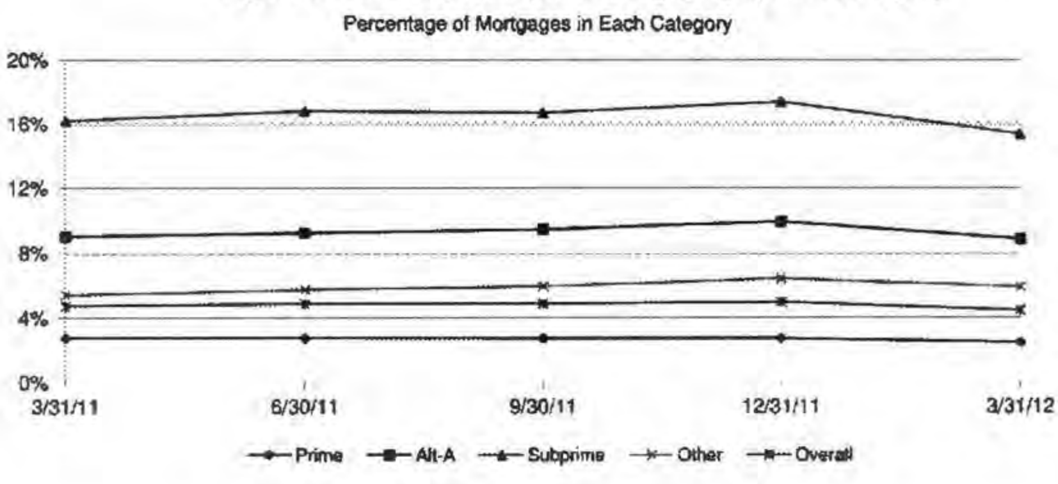
Seriously Delinquent Mortgages, by Risk Category

The portfolio contained 171,756 fewer seriously delinquent loans at the end of the first quarter of 2012 compared with a year earlier—an 11.0 percent decrease (see table 11). Seriously delinquent loans were 4.5 percent of the portfolio at the end of the quarter, down 10.4 percent from the previous quarter and 6.2 percent from a year earlier. Serious delinquencies decreased from the previous quarter across all risk categories.

Table 11. Seriously Delinquent Mortgages, by Risk Category

	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	2.8%	2.8%	2.7%	2.7%	2.5%	-9.4%	-11.2%
Alt-A	9.0%	9.2%	9.5%	9.9%	8.9%	-10.7%	-1.6%
Subprime	16.2%	16.8%	16.7%	17.4%	15.4%	-11.6%	-5.0%
Other	5.4%	5.8%	6.0%	6.4%	5.9%	-8.0%	9.3%
Overall	4.8%	4.9%	4.9%	5.0%	4.5%	-10.4%	-6.2%
(Number of Mortgages in Each Category)							
Prime	635,769	634,950	625,338	610,063	548,312	-10.1%	-13.8%
Alt-A	316,184	325,337	330,978	337,061	298,284	-11.5%	-5.7%
Subprime	391,507	416,316	405,043	401,293	347,641	-13.4%	-11.2%
Other	215,794	222,443	223,066	217,213	193,261	-11.0%	-10.4%
Total	1,559,254	1,599,046	1,584,425	1,565,630	1,387,498	-11.4%	-11.0%

Figure 6. Seriously Delinquent Mortgages, by Risk Category



Mortgages 30 to 59 Days Delinquent, by Risk Category

Both the number and the percentage of loans that were 30 to 59 days delinquent at the end of the first quarter of 2012 reached their lowest levels since the first quarter of 2008—the earliest period recorded by the *OCC Mortgage Metrics Report*. Overall, 2.5 percent of the total portfolio was 30 to 59 days delinquent at the end of the quarter—down 17.3 percent from the previous quarter and 3.8 percent from a year earlier. All categories of risk showed decreased 30 to 59 day delinquencies compared with the prior quarter.

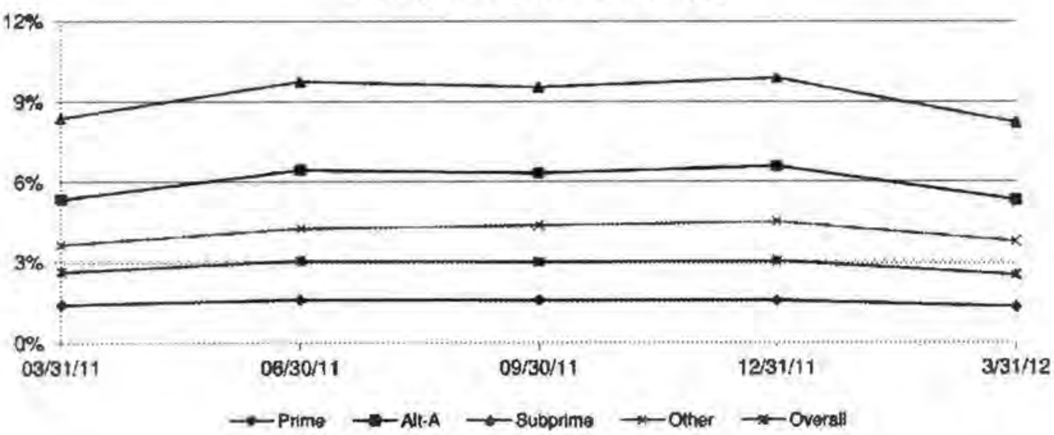
Table 12. **Mortgages 30 to 59 Days Delinquent, by Risk Category**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	1.4%	1.6%	1.6%	1.6%	1.3%	-15.8%	-5.6%
Alt-A	5.4%	6.5%	6.3%	6.6%	5.3%	-18.4%	-0.5%
Subprime	8.4%	9.8%	9.6%	9.9%	8.2%	-16.9%	-2.0%
Other	3.6%	4.3%	4.4%	4.5%	3.8%	-16.4%	3.5%
Overall	2.6%	3.0%	3.0%	3.0%	2.5%	-17.3%	-3.8%
(Number of Mortgages in Each Category)							
Prime	318,045	362,953	355,420	348,561	291,413	-16.4%	-8.4%
Alt-A	187,606	227,621	221,929	223,717	178,864	-20.0%	-4.7%
Subprime	202,835	241,588	231,782	228,396	185,842	-18.6%	-8.4%
Other	144,998	164,697	163,584	152,045	122,903	-19.2%	-15.2%
Total	853,484	996,859	972,716	952,719	779,022	-18.2%	-8.7%

* Change reflects actual change rather than rounded amount.

Figure 7. **Mortgages 30 to 59 Days Delinquent, by Risk Category**

Percentage of Mortgages in Each Category



PART II: Home Retention Actions

Home retention actions include loan modifications, in which servicers modify one or more mortgage contract terms; trial-period plans, in which the loans will be converted to modifications upon successful 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 can help the borrower become current on the loan, attain payment sustainability, and retain the home.

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

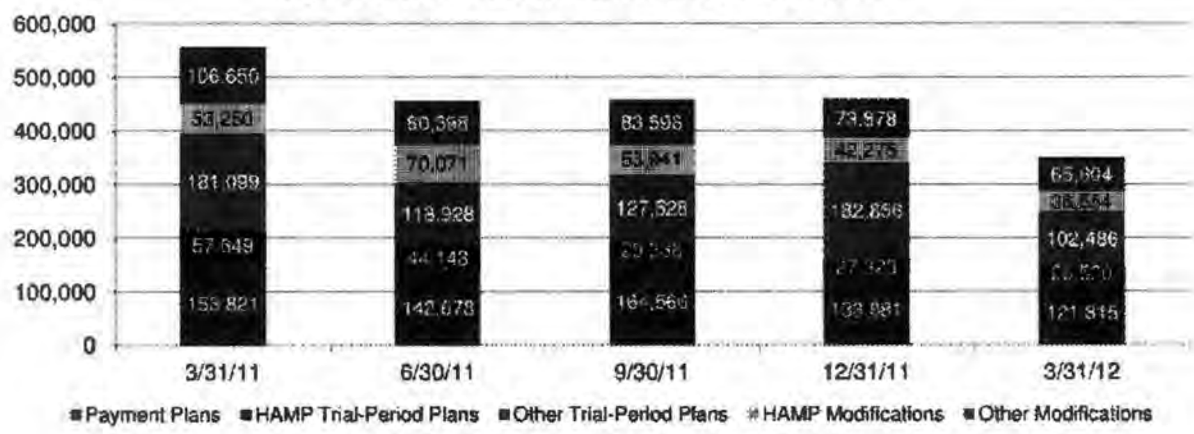
New Home Retention Actions

Servicers implemented 352,989 new home retention actions—loan modifications, trial-period plans, and payment plans—during the first quarter of 2012 (see table 13). The number of home retention actions decreased 23.3 percent from the previous quarter and 36.7 percent from a year earlier. Servicers implemented 102,158 modifications during the quarter—down 12.0 percent from the previous quarter and 36.1 percent from the previous year. New HAMP modifications decreased 13.5 percent to 36,554 during the quarter, and other modifications decreased 11.2 percent to 65,604. Servicers implemented 129,016 new trial-period plans—a 38.6 percent decrease from the previous quarter and 46.0 percent decrease from a year earlier.[3] New payment plans decreased by 9.0 percent during the first quarter to 121,815. During the past five quarters, servicers initiated almost 2.3 million home retention actions—666,219 modifications, 897,885 trial-period plans, and 721,761 payment plans.

Table 13. **Number of New Home Retention Actions**

	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	1Q %Change	1Y %Change
Other Modifications	106,650	80,398	83,598	73,878	65,604	-11.2%	-38.5%
HAMP Modifications	53,250	70,071	53,941	42,275	36,554	-13.5%	-31.4%
Other Trial-Period Plans	181,099	118,928	127,528	182,856	102,486	-44.0%	-43.4%
HAMP Trial-Period Plans	57,649	44,148	29,338	27,323	26,530	-2.9%	-54.0%
Payment Plans	158,821	142,678	164,566	133,881	121,815	-9.0%	-23.3%
Total	557,469	456,223	458,971	460,213	352,989	-23.3%	-36.7%

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



[3] In the fourth quarter of 2011 certain servicers converted a significant number of borrowers in existing payment plans to trial period plans.

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

Servicers implemented 36,554 HAMP modifications during the first quarter of 2012—down 13.5 percent from the previous quarter (see table 13). Almost 46 percent of HAMP modifications made during the quarter went to mortgages serviced for the GSEs. Prime mortgages, which represented 71 percent of the total portfolio, received 52.0 percent of all HAMP modifications, while subprime loans which represented 7 percent of the total portfolio received 20.4 percent of HAMP modifications during the quarter.

Table 14. **HAMP Modifications, by Investor and Risk Category**
(Modifications Implemented in the First Quarter of 2012)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	5,399	4,761	117	3,163	5,586	19,026
Alt-A	1,593	1,346	140	1,545	2,416	7,040
Subprime	911	599	105	1,767	4,063	7,445
Other	1,355	698	64	263	663	3,043
Total	9,258	7,404	426	6,738	12,728	36,554

Servicers implemented 26,530 new HAMP trial-period plans during the quarter, a decrease of 2.9 percent from the 27,323 HAMP trial plans initiated in the previous quarter (see table 13). GSE mortgages received 46.6 percent of HAMP trial-period plans initiated during the quarter. Prime mortgages received 52.7 percent of the HAMP trial-period plans implemented during the quarter, and Alt-A and subprime mortgages collectively received 37.4 percent.

Table 15. **HAMP Trial-Period Plans, by Investor and Risk Category**
(Trial-Period Plans Implemented in the First Quarter of 2012)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	3,535	3,922	210	1,991	4,318	13,976
Alt-A	1,029	1,046	199	854	1,758	4,886
Subprime	608	517	138	909	2,877	5,049
Other	1,119	575	93	158	674	2,619
Total	6,291	6,060	640	3,912	9,627	26,530

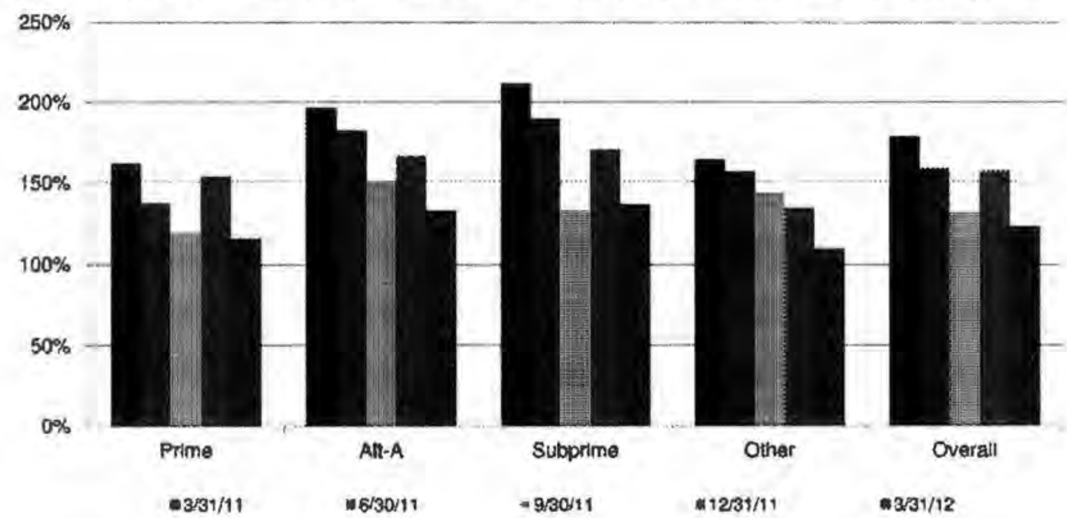
New Home Retention Actions Relative to Newly Initiated Foreclosures

The ratio of newly initiated home retention actions to newly initiated foreclosure actions decreased from both the previous quarter and the previous year. While both new home retention actions and new foreclosure actions have decreased, the decrease in new home retention actions was more than the decrease in new foreclosures (see table 16). Servicers continued to implement more new home retention actions than new foreclosures overall.

Table 16. **Percentage of New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category**

	3/31/2011	6/30/2011	9/30/2011	9/30/2011	3/31/2012	1Q %Change	1Y %Change
Prime	161.9%	137.3%	120.2%	153.6%	115.8%	-24.6%	-28.5%
Alt-A	196.3%	182.4%	150.7%	166.5%	133.0%	-20.1%	-32.2%
Subprime	211.4%	189.7%	133.7%	171.0%	136.5%	-20.2%	-35.4%
Other	163.8%	156.8%	143.5%	134.7%	109.8%	-18.5%	-33.0%
Overall	178.5%	158.9%	132.0%	157.5%	123.0%	-21.9%	-31.1%
Number of New Home Retention Actions	557,469	456,223	458,971	460,218	352,989	-23.3%	-36.7%
Number of Newly Initiated Foreclosures	312,235	287,162	347,726	292,173	286,951	-1.8%	-8.1%

Figure 9. **New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category**



Types of Modification Actions

The types of modification actions or combinations of actions have different effects on the borrowers' mortgages and their monthly principal and interest payments. Different actions may, over time, have different effects on the long-term sustainability of mortgages. Servicers often use a combination of actions when modifying mortgages, with more than 95 percent of modifications implemented during the first quarter of 2012 changing more than one of the original loan terms (see table 47 in appendix D). Capitalization, interest rate reduction, and term extension remain the primary actions taken with loan modifications, but the use of principal deferral or reduction in modifications has increased. During the first quarter of 2012, 24.6 percent of all modifications included principal deferral, and 10.2 percent included principal reduction compared with 11.2 percent and 3.0 percent, respectively, in the same period a year earlier (see table 17).

Servicers capitalized missed fees and payments in 91.6 percent of modifications made during the first quarter, reduced interest rates in 80.6 percent of the modified mortgages, and extended loan maturity in 73.7 percent (see table 17). Servicers deferred repayment of some portion of the principal balance in 24.6 percent of modifications made during the quarter, up from 11.2 percent a year earlier. The percentage of modifications that included principal reduction increased to 10.2 percent in the first quarter of 2012, up from 3.0 percent a year earlier. Because most modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total modifications. Appendix D presents additional detail on combination modifications.

Table 17. **Changes in Loan Terms for Modifications Made During the First Quarter of 2012**

(Percentage of Total Modifications in Each Category)

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Capitalization	86.9%	90.6%	88.5%	93.3%	91.6%	-1.8%	5.4%
Rate Reduction	82.6%	79.5%	77.5%	78.2%	80.6%	3.2%	-2.3%
Rate Freeze	2.0%	2.1%	4.6%	6.4%	6.2%	-2.8%	216.1%
Term Extension**	58.1%	61.1%	57.8%	55.5%	73.7%	32.7%	26.9%
Principal Reduction	3.0%	6.2%	8.1%	8.5%	10.2%	19.9%	237.4%
Principal Deferral	11.2%	18.6%	20.5%	24.5%	24.6%	0.4%	119.2%
Not Reported*	2.9%	1.7%	1.0%	1.5%	1.2%	-22.7%	-60.3%
(Number of Changes in Each Category)							
Capitalization	138,986	136,610	121,662	108,365	93,573	-13.7%	-32.7%
Rate Reduction	132,040	119,569	106,651	90,779	82,382	-9.2%	-37.6%
Rate Freeze	3,142	3,209	6,328	7,419	6,345	-14.5%	101.9%
Term Extension**	92,842	91,946	79,536	64,494	75,257	16.7%	-18.9%
Principal Reduction	4,826	9,401	11,183	9,867	10,404	5.4%	115.6%
Principal Deferral	17,958	27,989	28,133	28,496	25,154	-11.7%	40.1%
Not Reported*	4,694	2,574	1,327	1,750	1,190	-32.0%	-74.6%

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

**Increase in the first quarter of 2012 results from process changes at some servicers that improved the reporting of this data element.

Types of HAMP Modification Actions

HAMP modifications follow a prescribed series of actions to attain a targeted monthly mortgage payment. Consistent with modification actions overall and the prescribed order of actions required by HAMP, HAMP modifications most often included capitalization of missed payments and fees, interest-rate reductions, and term extensions. Servicers used principal deferral, another prescribed action in the HAMP hierarchy, in 32.8 percent of HAMP modifications during the first quarter of 2012, down from 38.5 percent in the previous quarter. Principal reduction was used in 20.7 percent of HAMP modifications implemented during the quarter—up from 15.6 percent in the previous quarter and 6.2 percent a year earlier (see table 18).

Table 18. **Changes in Loan Terms for HAMP Modifications During the First Quarter of 2012**

(Percentage of Total Modifications in Each Category)

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Capitalization	96.5%	97.8%	93.7%	97.3%	96.9%	-0.4%	0.5%
Rate Reduction	94.4%	84.3%	86.6%	88.5%	89.9%	1.5%	-4.8%
Rate Freeze	0.3%	0.2%	2.2%	3.3%	4.0%	20.5%	1393.9%
Term Extension**	53.4%	53.7%	48.4%	49.9%	72.5%	45.3%	35.8%
Principal Reduction	6.2%	6.6%	11.1%	15.6%	20.7%	32.9%	234.0%
Principal Deferral	23.6%	33.0%	34.9%	38.5%	32.8%	-14.8%	39.2%
Not Reported*	0.2%	0.1%	0.2%	0.1%	0.1%	-21.9%	-69.1%
(Number of Changes in Each Category)							
Capitalization	51,371	68,521	50,522	41,143	35,434	-13.9%	-31.0%
Rate Reduction	50,278	59,060	46,613	37,418	32,846	-12.2%	-34.7%
Rate Freeze	141	141	1,186	1,388	1,446	4.2%	925.5%
Term Extension**	28,413	37,842	26,123	21,084	26,489	25.6%	-6.8%
Principal Reduction	3,305	4,609	5,978	6,596	7,578	14.9%	129.3%
Principal Deferral	12,565	23,097	18,327	16,295	12,003	-26.3%	-4.5%
Not Reported*	118	66	103	37	25	-32.4%	-78.8%

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

** Increase in the first quarter of 2012 results from process changes at some servicers that improved the reporting of this data element.

Types of Modification Actions, by Risk Category

Servicers use a combination of actions when modifying mortgages, and no single action can be identified as the primary component of a successful modification. Modifications across all risk categories predominantly featured interest-rate reduction and term extension in addition to the capitalization of past-due interest and fees. Because most modifications changed more than one term, the sum of individual features changed exceeded the total number of modified loans in each risk category. While most actions were used relatively consistently across all risk categories, principal deferral was used most extensively in prime loans, and principal reduction was used more in Alt-A and subprime loans (see table 19).

Table 19. Changes in Loan Terms for Modifications, by Risk Category, in First Quarter 2012

(Percentage of Total Modifications in Each Category)	Prime	Alt-A	Subprime	Other	Overall
Capitalization	92.2%	91.3%	90.6%	92.2%	91.6%
Rate Reduction	81.3%	80.7%	78.7%	82.6%	80.6%
Rate Freeze	3.5%	5.8%	10.2%	9.2%	6.2%
Term Extension	74.5%	72.3%	71.8%	77.6%	73.7%
Principal Reduction	8.5%	10.7%	15.7%	2.9%	10.2%
Principal Deferral	30.5%	22.4%	19.8%	15.7%	24.6%
Not Reported*	1.3%	1.1%	0.6%	2.3%	1.2%
(Number of Changes in Each Category)					
Total Mortgages Modified	45,170	21,268	25,284	10,436	102,158
Capitalization	41,625	19,415	22,913	9,620	93,573
Rate Reduction	36,723	17,156	19,888	8,615	82,382
Rate Freeze	1,564	1,240	2,578	963	6,345
Term Extension	33,640	15,368	18,151	8,098	75,257
Principal Reduction	3,859	2,266	3,975	304	10,404
Principal Deferral	13,756	4,756	5,001	1,641	25,154
Not Reported*	582	232	141	235	1,190

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

Types of Modification Actions, by Investor and Product Type

Modifications of mortgages serviced for the GSEs accounted for 40.7 percent of all modifications made during the quarter. Government-guaranteed loans received 13.9 percent of all modifications, mortgages serviced for private investors received 30.3 percent, and mortgages held in the servicers' own portfolios received 15.0 percent of all first-quarter modifications (see table 20). Interest-rate reduction and capitalization of missed payments and fees remained the primary types of modification actions for all investors, as well as term extension for all except private investors. Principal reduction was used almost exclusively in modifications of loans held in portfolio or serviced for private investors. Because modifications often change more than one loan term, the sum of the actions exceeded the number of modified loans for each investor.

Table 20. **Type of Modification Action, by Investor and Product Type, in First Quarter 2012**

(Percentage of Total Modifications in Each Category)

	Fannie Mae	Freddie Mac	Government Guaranteed	Private Investor	Portfolio	Overall
Capitalization	98.4%	93.9%	90.1%	87.0%	86.7%	91.6%
Rate Reduction	73.5%	86.1%	94.5%	78.2%	83.9%	80.6%
Rate Freeze	5.7%	5.5%	3.7%	9.3%	3.9%	6.2%
Term Extension	83.4%	78.7%	92.4%	56.3%	68.0%	73.7%
Principal Reduction	0.0%	0.0%	0.7%	18.9%	28.9%	10.2%
Principal Deferral	31.3%	24.8%	0.1%	25.6%	31.5%	24.6%
Not Reported*	0.3%	0.1%	0.1%	2.6%	1.8%	1.2%
(Number of Changes in Each Category)						
Total Mortgages Modified	31,702	9,923	14,240	30,926	15,367	102,158
Capitalization	31,180	9,322	12,835	26,909	13,327	93,573
Rate Reduction	23,289	8,544	13,461	24,194	12,894	82,382
Rate Freeze	1,813	541	529	2,867	595	6,345
Term Extension	26,435	7,808	13,160	17,407	10,447	75,257
Principal Reduction**	9	0	100	5,857	4,438	10,404
Principal Deferral	9,927	2,457	16	7,906	4,848	25,154
Not Reported	88	9	8	805	280	1,190

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

**Fannie Mae and Freddie Mac do not offer modifications that include principal reduction. The principal reduction actions reflected in this table represent coding errors to be corrected in subsequent reporting periods.

Types of HAMP Modification Actions, by Investor and Product Type

Of the 36,554 HAMP modifications implemented in the first quarter, 45.6 percent were on GSE mortgages, 34.8 percent were on mortgages serviced for private investors, 18.4 percent were on mortgages held in servicers' portfolios and 1.2 percent were on government-guaranteed loans (see table 21). Consistent with total modification actions, the prevailing actions among HAMP modifications were capitalization of past-due interest and fees, interest-rate reduction, and term extension. Principal deferral was used in a significant number of HAMP modifications for all investors other than government-guaranteed loans. HAMP modifications with principal reduction were centered in loans held in portfolio and serviced for private investors.

Table 21. Type of HAMP Modification Action, by Investor and Product Type, in First Quarter 2012

(Percentage of Total Modifications in Each Category)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	99.1%	99.0%	60.1%	99.4%	89.4%	96.9%
Rate Reduction	92.7%	96.8%	88.7%	85.4%	86.7%	89.9%
Rate Freeze	0.2%	0.2%	18.8%	8.7%	3.4%	4.0%
Term Extension	72.4%	79.3%	98.4%	62.7%	81.8%	72.5%
Principal Reduction	0.1%	0.0%	1.6%	33.8%	48.3%	20.7%
Principal Deferral	25.9%	28.4%	0.9%	32.8%	49.4%	32.8%
Not Reported	0.1%	0.1%	0.2%	0.0%	0.1%	0.1%
(Number of Changes in Each Category)						
Total Mortgages Modified	9,258	7,404	426	12,728	6,738	36,554
Capitalization	9,171	7,332	256	12,651	6,024	35,434
Rate Reduction	8,582	7,166	378	10,876	5,844	32,846
Rate Freeze	17	16	80	1,107	226	1,446
Term Extension	6,700	5,875	419	7,984	5,511	26,489
Principal Reduction*	9	0	7	4,305	3,257	7,578
Principal Deferral	2,397	2,101	4	4,174	3,327	12,003
Not Reported**	12	8	1	1	5	25

*Fannie Mae and Freddie Mac do not offer modifications that include principal reduction. The principal reduction actions reflected in this table represent coding errors to be corrected in subsequent reporting periods.

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

Changes in Monthly Payments Resulting From Modification

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

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

Mortgage modifications may increase monthly payments when borrowers and servicers agree to add past-due interest, advances for taxes or insurance and other fees to the loan balances and re-amortize the new balances over the remaining life of the mortgages. The interest rate or maturity of the loans may be changed on these modifications but not enough to offset the increase in payments caused by the additional capitalized principal. Modifications may also result in increased monthly payments when interest rates or principal payments on adjustable rate mortgages and payment-option ARMs are reset higher but by less than the amount indicated in the original mortgage contracts.

Modifications that increase payments may be appropriate when borrowers resolve temporary problems with cash flow, or otherwise have reasonable prospects of making higher payments to repay the debt over time. However, during periods of prolonged economic stress, this strategy carries additional risk, underscoring the importance of verifying borrowers' income and debt-payment ability so that borrowers and servicers have confidence that the modifications will be sustainable.

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

Changes in Monthly Payments Resulting From Modifications, by Quarter

Almost 92 percent of modifications made in the first quarter reduced monthly principal and interest payments (see table 22). Almost 63 percent of the modifications reduced payments by 20 percent or more, up 5.3 percent from the previous quarter and 32.5 percent from a year earlier. Almost 16 percent reduced payments between 10 percent and 20 percent, and another 13.0 percent reduced payments by less than 10 percent.

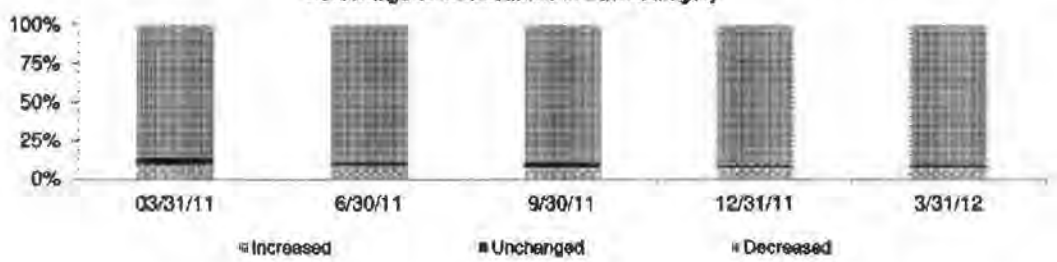
Table 22. **Changes in Monthly Principal and Interest Payments Resulting From Modifications**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
(Percentage of Modifications in Each Category)*							
Decreased by 20% or More	47.3%	53.8%	53.6%	59.5%	62.7%	5.3%	32.5%
Decreased by 10% to Less Than 20%	18.4%	17.1%	18.3%	16.7%	15.9%	-4.7%	-13.5%
Decreased by Less Than 10%	20.8%	18.4%	17.5%	15.0%	12.9%	-13.7%	-37.8%
Subtotal for Decreased	**86.5%**	**89.4%**	**89.4%**	**91.2%**	**91.5%**	**0.3%**	**5.8%**
Unchanged	4.0%	1.9%	2.4%	0.8%	1.0%	23.2%	-73.7%
Increased	9.5%	8.7%	8.2%	7.9%	7.4%	-6.4%	-22.0%
Subtotal for Unchanged and Increased	**13.5%**	**10.6%**	**10.6%**	**8.8%**	**8.5%**	**-3.6%**	**-37.2%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	—	—
(Number of Modifications in Each Category)							
Decreased by 20% or More	75,186	80,596	73,353	68,418	63,716	-6.9%	-15.3%
Decreased by 10% to Less Than 20%	29,330	25,670	25,055	19,256	16,218	-15.8%	-44.7%
Decreased by Less Than 10%	33,037	27,619	23,971	17,221	13,134	-23.7%	-60.2%
Subtotal for Decreased	**137,653**	**133,885**	**122,379**	**104,895**	**93,068**	**-11.3%**	**-32.3%**
Unchanged	6,290	2,853	3,335	972	1,059	9.0%	-83.2%
Increased	15,162	13,025	11,202	9,138	7,559	-17.3%	-50.1%
Subtotal for Unchanged and Increased	**21,452**	**15,878**	**14,537**	**10,110**	**8,618**	**-14.8%**	**-59.8%**
Total	159,005	149,763	136,916	115,005	101,686	-11.6%	-36.0%

*No payment change information was reported on 895 modifications in the first quarter of 2011, 706 in the second quarter of 2011, 623 in the third quarter of 2011, 1,148 in the fourth quarter of 2011 and 472 in the first quarter of 2012.

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

Percentage of Modifications in Each Category



Changes in Monthly Payments Resulting From HAMP Modifications, by Quarter

Almost 98 percent of HAMP modifications made during the first quarter of 2012 reduced borrower monthly payments, with 76.1 percent reducing payments by 20 percent or more (see table 23). In addition to achieving lower payments, HAMP attempts to increase payment sustainability by targeting monthly housing payments at 31 percent of borrowers' income. Performance data on all modifications showed that reduced monthly payments result in lower re-default rates over time and that the greater the decrease in payment, the lower the rate of re-default.

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

(Percentage of HAMP Modifications in Each Category)*,**	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Decreased by 20% or More	75.9%	77.1%	75.8%	77.5%	76.1%	-1.8%	0.2%
Decreased by 10% to Less Than 20%	13.4%	13.1%	13.6%	12.5%	12.5%	0.0%	-7.0%
Decreased by Less Than 10%	8.7%	8.6%	9.2%	8.6%	8.9%	3.8%	2.9%
Subtotal for Decreased	**98.0%**	**98.8%**	**98.6%**	**98.6%**	**97.5%**	**-1.1%**	**-0.6%**
Unchanged	1.0%	0.2%	0.2%	0.1%	0.4%	139.1%	-64.3%
Increased	1.0%	1.0%	1.2%	1.3%	2.2%	69.4%	124.6%
Subtotal for Unchanged and Increased	**2.0%**	**1.2%**	**1.4%**	**1.4%**	**2.5%**	**76.6%**	**29.0%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	---	---
(Number of HAMP Modifications in Each Category)							
Decreased by 20% or More	40,321	53,941	40,756	32,719	27,719	-15.3%	-31.3%
Decreased by 10% to Less Than 20%	7,124	9,178	7,299	5,266	4,546	-13.7%	-36.2%
Decreased by Less Than 10%	4,604	6,024	4,957	3,632	3,253	-10.4%	-29.3%
Subtotal for Decreased	**52,049**	**69,143**	**53,012**	**41,617**	**35,518**	**-14.7%**	**-31.8%**
Unchanged	530	129	101	63	130	106.3%	-75.5%
Increased	517	683	650	545	797	46.2%	54.2%
Subtotal for Unchanged and Increased	**1,047**	**812**	**751**	**608**	**927**	**52.5%**	**-11.5%**
Total	53,096	69,955	53,763	42,225	36,445	-13.7%	-31.4%

*No payment change information was reported on 154 modifications in the first quarter of 2011, 116 in the second quarter of 2011, 178 in the third quarter of 2011, 50 in the fourth quarter of 2011 and 109 in the first quarter of 2012.

**Some HAMP modifications, like other modifications, may increase the borrowers' monthly principal and interest payments when loans with a previous interest-only or partial payment are modified to amortize the loans over their remaining terms, or when adjustable rate mortgages are reset to higher rates and payments but at lower rates than otherwise contractually required. While the principal and interest portion of the payment might increase, the total payment will reflect a housing expense ratio of 31 percent as specified by HAMP.

Average Change in Monthly Payments Resulting From Modifications, by Quarter

Modifications made during the first quarter of 2012 reduced monthly principal and interest payments by 27.4 percent on average, or $437 (see table 24). HAMP modifications made during the quarter reduced payments by 35.4 percent on average, or $588. Other modifications completed during the quarter reduced payments by $353 on average, a 22.9 percent average reduction. The average monthly payment reduction of $437 on all modifications completed during the first quarter of 2012 was over 31 percent more than the $334 average payment reduction on modifications completed during the first quarter of 2011.

Table 24. Average Change in Monthly Payments Resulting From Modifications, by Quarter*

	3/31/11	6/30/11	9/30/11	12/30/11	3/31/12	1Q %Change	1Y %Change
All Modifications							
Decreased by 20% or More	(634)	(667)	(646)	(671)	(655)	-2.4%	3.3%
Decreased by 10% to Less Than 20%	(184)	(187)	(192)	(192)	(191)	-0.6%	4.0%
Decreased by Less Than 10%	(55)	(60)	(64)	(66)	(63)	-5.0%	14.8%
Unchanged	0	0	0	0	0	--	--
Increased**	122	106	128	145	162	11.4%	32.7%
Overall	(334)	(393)	(382)	(430)	(437)	1.7%	31.1%
Percentage Change	-21.6%	-25.1%	-24.4%	-26.5%	-27.4%	--	--
Other Modifications							
Decreased by 20% or More	(566)	(591)	(576)	(623)	(595)	-4.5%	5.1%
Decreased by 10% to Less Than 20%	(171)	(170)	(181)	(182)	(181)	-0.5%	5.9%
Decreased by Less Than 10%	(50)	(55)	(61)	(63)	(59)	-6.7%	16.8%
Unchanged	0	0	0	0	0	--	--
Increased**	120	103	126	143	158	10.0%	31.0%
Overall	(219)	(232)	(262)	(335)	(353)	5.3%	61.2%
Percentage Change	-15.1%	-15.6%	-17.5%	-21.1%	-22.9%	--	--
HAMP Modifications							
Decreased by 20% or More	(693)	(704)	(702)	(725)	(734)	1.3%	5.9%
Decreased by 10% to Less Than 20%	(222)	(219)	(219)	(219)	(216)	-1.7%	-2.8%
Decreased by Less Than 10%	(83)	(79)	(77)	(79)	(76)	-3.8%	-8.5%
Unchanged	0	0	0	0	0	--	--
Increased**	164	158	158	174	197	13.1%	
Overall	(562)	(577)	(567)	(593)	(588)	-1.0%	4.6%
Percentage Change	-34.6%	-35.9%	-35.1%	-36.0%	-35.4%	--	--

*Parentheses indicate that, on average, borrowers' monthly payments decreased by the amount enclosed within the parentheses.

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

B. Modified Loan Performance

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

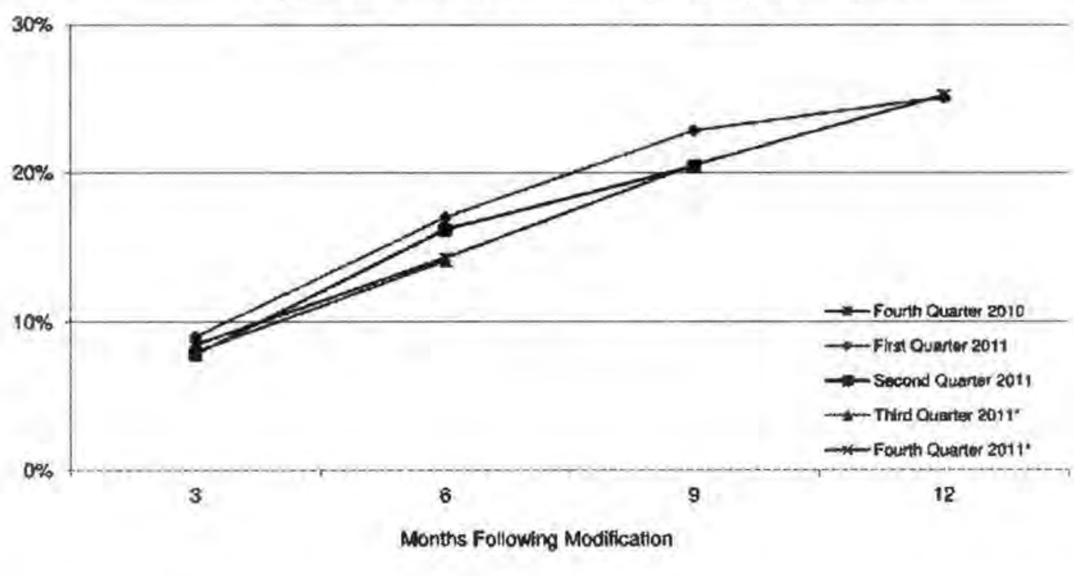
Modification performance may vary because of many factors, including the types of modification actions, the average amount of change in the borrower's monthly payment, the characteristics and geographic location of the modified loans, and the addition or deletion of modification programs among the reporting institutions. Despite differences in many of these factors, mortgages modified in each of the last five quarters have performed similarly over time. Among modifications completed in each of the last five quarters, approximately 9 percent of loans were 60 or more days delinquent three months after modification. Among modifications outstanding at least six or twelve months, about 16 percent were 60 or more days delinquent six months after modification and 25 percent were 60 or more days delinquent twelve months after modification (see table 25).

Table 25. **Modified Loans 60 or More Days Delinquent**

Modification Date*	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fourth Quarter 2010	8.5%	14.3%	20.5%	25.2%
First Quarter 2011	9.0%	17.0%	22.8%	25.1%
Second Quarter 2011	7.8%	16.2%	20.4%	--
Third Quarter 2011	8.0%	14.1%	--	--
Fourth Quarter 2011	8.1%	--	--	--

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

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



*The fourth quarter 2011 data is a single point (8.1 percent), and is obscured by the beginning of the trend line for the third quarter of 2011.

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

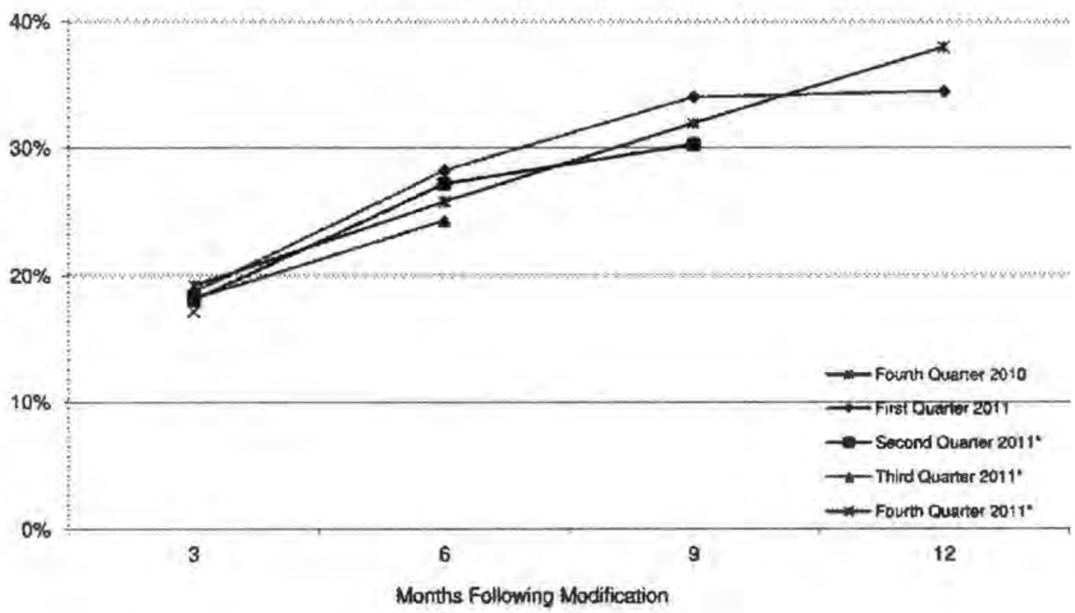
Re-default rates measured at 30 or more days delinquent provide an early indicator of mortgages that may need additional attention to prevent more serious delinquency or foreclosure. For modifications completed in each of the last five quarters, approximately 18 percent were 30 or more days delinquent three months after modification. Among modifications outstanding at least one year, about 35 to 38 percent were 30 or more days delinquent twelve months after modification (see table 26).

Table 26. **Modified Loans 30 or More Days Delinquent**

Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fourth Quarter 2010	19.2%	25.8%	31.9%	38.0%
First Quarter 2011	18.7%	28.2%	34.0%	34.5%
Second Quarter 2011	18.1%	27.2%	30.2%	--
Third Quarter 2011	18.2%	24.3%	--	--
Fourth Quarter 2011	17.2%	--	--	--

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

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



*The fourth quarter 2011 data is a single point (17.2 percent), and is obscured by the beginning of the trend lines for the second and third quarters of 2011.

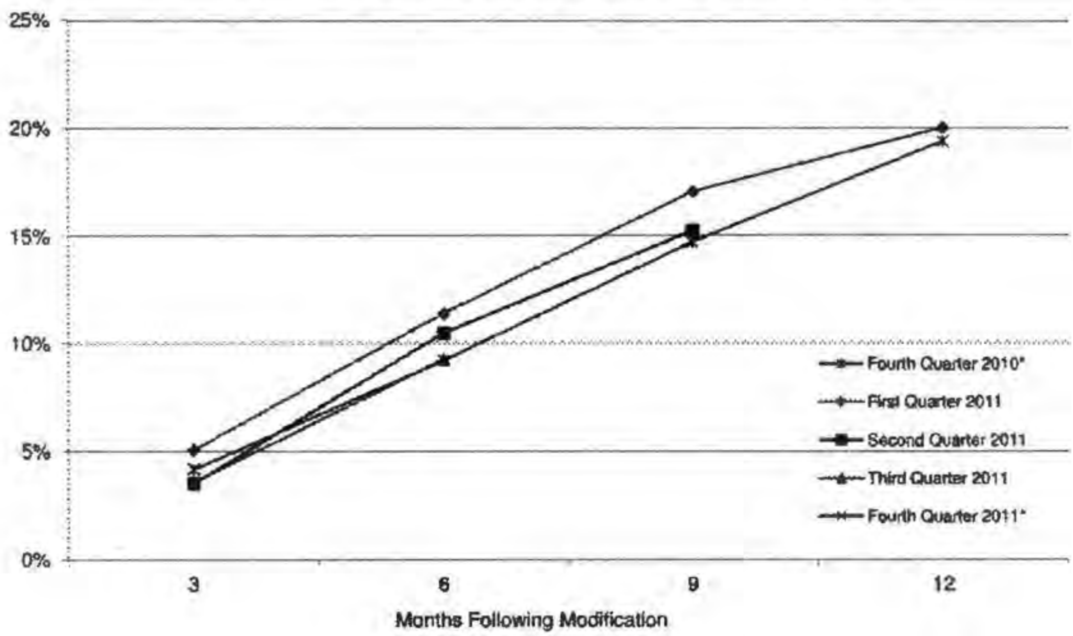
Re-Default Rates of Modified Loans: 90 or More Days Delinquent

Among modifications completed during the last five quarters, about 20 percent were 90 or more days delinquent twelve months after modification (see table 27).

Table 27. Modified Loans 90 or More Days Delinquent*				
Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fourth Quarter 2010	4.2%	9.2%	14.7%	19.4%
First Quarter 2011	5.1%	11.4%	17.1%	20.0%
Second Quarter 2011	3.5%	10.5%	15.2%	--
Third Quarter 2011	3.6%	9.2%	--	--
Fourth Quarter 2011	4.2%	--	--	--

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

Figure 13. Modified Loans 90 or More Days Delinquent



*The fourth quarter 2011 data is a single point (4.2 percent), and is obscured by the beginning of the trend line for the fourth quarter of 2010.

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

Modifications on mortgages held in the servicers' own portfolios or serviced for the GSEs—Fannie Mae and Freddie Mac—performed better than modifications on mortgages serviced for other investors. These lower re-default rates for portfolio and GSE mortgages may reflect differences in modification programs, loan risk characteristics, and, for portfolio mortgages, additional flexibility to modify terms for greater sustainability. Re-default rates for government-guaranteed mortgages and loans serviced for private investors were highest over time, reflecting the higher risk characteristics associated with those mortgages. For all investors, re-default rates have lessened over time as more recent modifications have focused more on reducing monthly payments and the borrower's ability to sustain the reduced payments over time.

Table 28. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2008 (60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	30.5%	45.0%	54.2%	59.5%
Freddie Mac	34.0%	44.9%	53.1%	59.2%
Government-Guaranteed	32.5%	53.5%	63.6%	67.8%
Private	37.5%	48.9%	56.0%	61.0%
Portfolio Loans	15.0%	25.3%	31.7%	36.2%
Overall	32.1%	44.7%	52.2%	57.1%

Table 29. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2009 (60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months after Modification	9 Months after Modification	12 Months After Modification
Fannie Mae	18.0%	31.4%	37.9%	41.2%
Freddie Mac	29.2%	37.1%	42.0%	44.5%
Government-Guaranteed	23.5%	42.2%	51.7%	55.5%
Private	28.2%	40.8%	48.8%	52.5%
Portfolio Loans	7.2%	15.3%	21.0%	24.6%
Overall	20.1%	32.3%	39.5%	43.1%

Table 30. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2010 (60 or More Days Delinquent)*

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	9.7%	14.4%	18.2%	20.7%
Freddie Mac	7.4%	12.3%	15.6%	17.9%
Government-Guaranteed	12.4%	27.3%	36.0%	40.7%
Private	12.2%	19.9%	25.0%	28.3%
Portfolio Loans	6.6%	11.8%	15.7%	18.0%
Overall	10.0%	17.4%	22.4%	25.4%

Table 31. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2011 (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	7.2%	11.4%	15.0%	18.5%
Freddie Mac	6.0%	11.2%	14.7%	17.3%
Government-Guaranteed	11.9%	28.6%	38.5%	41.6%
Private	9.7%	16.2%	21.6%	26.6%
Portfolio Loans	5.0%	8.9%	11.8%	13.6%
Overall	8.3%	15.9%	21.7%	25.1%

*Data include all modifications implemented during 2011 that have aged the indicated number of months.

Performance of HAMP Modifications Compared With Other Modifications

HAMP modifications have performed better than other modifications implemented during the same periods. These lower post-modification delinquency rates reflect HAMP's emphasis on the affordability of monthly payments relative to the borrower's income, verification of income, and completion of a successful trial payment period (see table 32). While these criteria result in better performance of HAMP modifications over time, the greater flexibility in making other modifications results in a greater number of modifications.

Table 32. Performance of HAMP Modifications Compared With Other Modifications (60 or More Days Delinquent)*

	Number of Modifications	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
HAMP Second Quarter 2010	108,155	8.3%	13.3%	15.9%	17.3%
Other Second Quarter 2010	158,900	12.3%	24.0%	29.2%	31.4%
HAMP Third Quarter 2010	58,856	7.5%	11.5%	13.5%	16.5%
Other Third Quarter 2010	174,882	9.7%	17.1%	21.1%	25.4%
HAMP Fourth Quarter 2010	56,340	9.0%	11.2%	14.7%	17.7%
Other Fourth Quarter 2010	152,513	8.3%	15.5%	22.7%	28.0%
HAMP First Quarter 2011	53,250	5.8%	9.9%	13.4%	14.9%
Other First Quarter 2011	106,650	10.7%	20.7%	27.7%	30.3%
HAMP Second Quarter 2011	70,071	5.4%	9.5%	12.1%	--
Other Second Quarter 2011	80,398	10.0%	22.1%	27.7%	--
HAMP Third Quarter 2011	53,941	5.5%	9.1%	--	--
Other Third Quarter 2011	83,598	9.6%	17.4%	--	--
HAMP Fourth Quarter 2011	42,275	4.8%	--	--	--
Other Fourth Quarter 2011	73,878	10.1%	--	--	--

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

C. Modified Loan Performance, by Change in Monthly Payments

Modifications that reduce borrowers' monthly payments consistently show re-default rates lower than other modifications—the larger the reduction in monthly payment, the lower the subsequent re-default rates. Lower re-default rates may also result from setting monthly payments relative to the borrower's income and ability to repay, as well as verification of income and completion of a successful trial period.

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

Re-Default Rates of Loans by Change in Payment

The following tables present re-default rates, measured as 60 or more days delinquent, for modifications made since January 1, 2008. Data show that re-default rates decrease as reductions in monthly principal and interest payments increase. Modification performance has continued to improve over time as more recent modifications, those made during 2010 and 2011, focused more on substantively reducing monthly payments and setting payments relative to the borrower's income and ability to pay.

Modifications that resulted in no change to the borrower's monthly payment have performed better than many modifications that reduced payments. These modifications generally freeze the interest rate on an adjustable rate mortgage so that the rate and payment do not increase, and tend to be offered to borrowers who were not in default on their payments.

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

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	15.8%	25.9%	33.2%	39.4%
Decreased by 10% to Less Than 20%	20.8%	32.9%	41.8%	47.9%
Decreased by Less Than 10%	23.8%	40.1%	49.5%	55.1%
Unchanged	47.8%	54.4%	59.6%	63.0%
Increased	34.6%	53.1%	61.9%	66.9%
Total	32.1%	44.5%	52.0%	57.0%

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

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	11.4%	19.3%	25.3%	28.7%
Decreased by 10% to Less Than 20%	15.9%	29.2%	37.3%	41.7%
Decreased by Less Than 10%	17.8%	33.9%	42.6%	46.7%
Unchanged	41.8%	49.6%	54.6%	57.0%
Increased	26.7%	46.6%	56.0%	59.8%
Total	20.0%	32.2%	39.5%	43.1%

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

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	7.3%	11.5%	15.0%	17.5%
Decreased by 10% to Less Than 20%	10.0%	19.8%	26.3%	30.2%
Decreased by Less Than 10%	13.5%	26.2%	33.5%	37.5%
Unchanged	17.6%	20.9%	23.8%	25.2%
Increased	18.2%	32.9%	40.4%	44.2%
Total	10.0%	17.4%	22.4%	25.4%

Table 36. Re-Default Rates of Loans Modified in 2011 by Change in Payment
(60 or More Days Delinquent)*

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	5.6%	9.9%	13.6%	16.5%
Decreased by 10% to Less Than 20%	8.2%	17.3%	24.6%	29.2%
Decreased by Less Than 10%	11.0%	22.8%	30.3%	32.3%
Unchanged	10.0%	12.7%	15.9%	17.3%
Increased	18.6%	33.6%	43.3%	46.8%
Total	8.3%	15.9%	21.7%	25.1%

*Data include all modifications implemented during 2011 that have aged the indicated number of months.

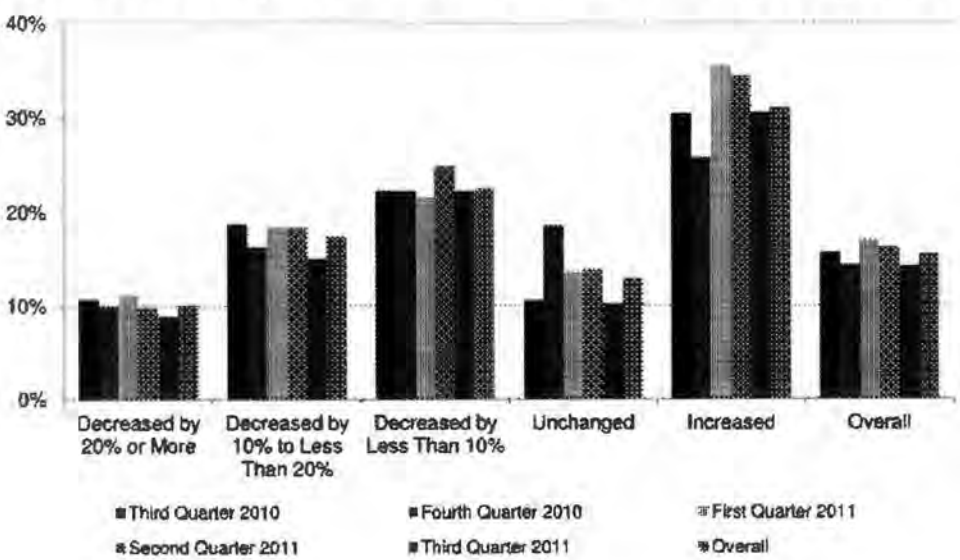
60+ Delinquency at Six Months After Modification by Change in Monthly Payment

Modifications that significantly reduced monthly principal and interest payments consistently performed better than other modifications. Modifications with the greatest decrease in monthly payments consistently had the lowest re-default rates (see table 37). Modifications that result in no change to the borrowers' monthly payments generally have performed better than many modifications that reduced payments because these modifications tend to be offered to borrowers with adjustable rate mortgages who had not defaulted on their payments.

Table 37. 60+ Delinquency at Six Months After Modification by Change in Monthly Payment

	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Overall
Third Quarter 2010	10.6%	18.7%	22.2%	10.5%	30.4%	15.6%
Fourth Quarter 2010	9.9%	16.2%	22.2%	18.5%	25.7%	14.3%
First Quarter 2011	11.1%	18.3%	21.5%	13.6%	35.4%	17.0%
Second Quarter 2011	9.8%	18.3%	24.8%	13.9%	34.6%	16.2%
Third Quarter 2011	8.9%	15.0%	22.2%	10.2%	30.5%	14.1%
Overall	10.1%	17.4%	22.5%	13.0%	31.1%	15.4%

Figure 14. **60+ Delinquency at Six Months After Modification by Change in Monthly Payment**



Status of Mortgages Modified in 2008–2011

Servicers implemented 2,543,133 modifications from January 1, 2008 through December 31, 2011. Of these modifications, 49.3 percent were current and performing at the end of the first quarter of 2012 with another 1.4 percent paid off. More than 22 percent of these modifications were delinquent, while 17.1 percent were in process of foreclosure or had completed the foreclosure process. HAMP modifications implemented since the third quarter of 2009 have performed better than other modifications. Modifications that reduced borrowers' monthly payments by 10 percent or more performed significantly better than other modifications. Of the 1,511,900 modifications that reduced payments by 10 percent or more, 57.9 percent were current and performing at the end of the first quarter, compared with 36.8 percent of modifications that reduced payments less than 10 percent (see table 38). Modifications of mortgages held in the servicers' portfolios and those serviced for GSEs performed better than modifications of mortgages serviced for other investors (see tables 28 through 31).

Table 38. Status of Mortgages Modified in 2008–2011

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures In Process	Completed Foreclosures	Paid-Off	No Longer in the Portfolio*
2008	445,354	26.2%	5.3%	15.9%	16.1%	15.0%	3.3%	18.2%
2009	594,350	38.7%	6.6%	17.2%	14.1%	9.1%	2.0%	12.3%
2010	939,368	53.7%	7.5%	14.6%	9.9%	3.8%	0.8%	9.7%
2011	564,061	71.5%	8.6%	12.9%	4.8%	0.6%	0.3%	1.3%
Total	2,543,133	49.3%	7.1%	15.1%	10.8%	6.3%	1.4%	9.9%
HAMP Modification Performance Compared With Other Modifications**								
Other Modifications	1,194,442	53.4%	8.3%	16.8%	9.8%	4.1%	1.0%	6.6%
HAMP Modifications	585,751	68.2%	6.5%	9.3%	6.0%	1.9%	0.4%	7.7%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,511,900	57.9%	7.1%	12.4%	8.3%	3.8%	0.9%	9.5%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	1,031,233	36.8%	7.1%	18.9%	14.5%	9.9%	2.2%	10.5%

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

**Modifications used to compare with HAMP modifications only include modifications implemented from the third quarter of 2009 through the fourth quarter of 2011.

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

Completed Foreclosures and Other Home Forfeiture Actions

Home forfeiture actions—foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—totaled 185,781 during the first quarter of 2012, an increase of 1.9 percent from the previous quarter and 8.3 percent from a year earlier (see table 39). Completed foreclosures increased to 122,979—up 5.9 percent from the previous quarter and 2.7 percent from the same quarter the previous year. Short sales decreased 5.2 percent from the previous quarter but were up 19.7 percent from a year earlier. Short sales have increased to 32 percent of total home forfeiture actions, up from 29 percent during the first quarter of 2011. Deed-in-lieu-of-foreclosure actions, while up 65.1 percent from a year earlier, remained a small portion of total home forfeiture actions.

Table 39. Completed Foreclosures and Other Home Forfeiture Actions

	3/31/11	6/0/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Completed Foreclosures	119,739	121,209	113,202	116,159	122,979	5.9%	2.7%
New Short Sales	50,108	56,406	57,479	63,257	59,996	-5.2%	19.7%
New Deed-in-Lieu-of-Foreclosure Actions	1,700	2,547	2,620	2,939	2,806	-4.5%	65.1%
Total	171,547	180,162	173,301	182,355	185,781	1.9%	8.3%

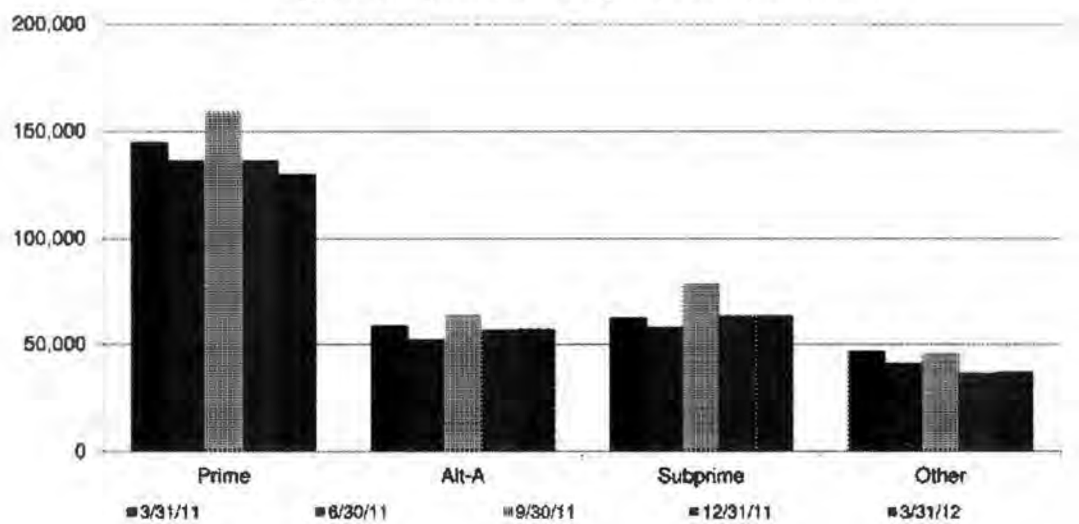
Newly Initiated Foreclosures

Servicers initiate foreclosure actions at defined stages of loan delinquency. Foreclosure actions will progress to sale of the property only if servicers and borrowers cannot arrange a permanent loss mitigation action, modification, or alternate workout solution or home sale. Newly initiated foreclosures decreased by 1.8 percent from the previous quarter, to 286,951 from 292,173, and decreased 8.1 percent from a year earlier (see table 40). Newly initiated foreclosures of Alt-A, subprime and other loans increased from the prior quarter. Prime loans experienced a decrease in newly initiated foreclosures from both the prior quarter and the same period in the prior year.

Table 40. **Number of Newly Initiated Foreclosures**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Prime	144,742	136,119	158,632	136,026	129,823	-4.6%	-10.3%
Alt-A	58,474	52,064	64,215	56,736	56,996	0.5%	-2.5%
Subprime	62,459	58,229	78,852	63,225	63,286	0.1%	1.3%
Other	46,560	40,750	46,027	36,186	36,846	1.8%	-20.9%
Total	312,235	287,162	347,726	292,173	286,951	-1.8%	-8.1%

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



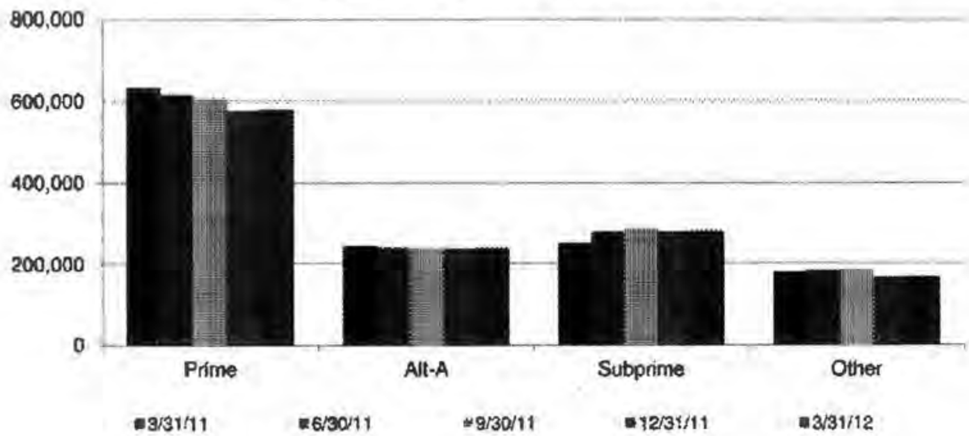
Foreclosures in Process

The number of mortgages in process of foreclosure increased 0.6 percent from the previous quarter, to 1,269,921. Foreclosures in process as a percentage of all mortgages serviced have remained relatively stable over the past five quarters at 4.0 to 4.1 percent (see table 41).

***Table 41.* Foreclosures in Process**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Percentage of Foreclosures in Process Relative to Mortgages in That Risk Category							
Prime	2.8%	2.7%	2.7%	2.6%	2.6%	1.1%	-5.8%
Alt-A	7.0%	6.8%	6.9%	7.0%	7.2%	2.3%	2.8%
Subprime	10.4%	11.3%	12.0%	12.2%	12.5%	2.6%	20.5%
Other	4.5%	4.7%	5.0%	4.9%	5.1%	4.0%	16.5%
Total	4.0%	4.0%	4.1%	4.0%	4.1%	1.8%	2.3%
Number of Foreclosures in Process							
Prime	632,578	616,238	607,532	576,761	578,547	0.3%	-8.5%
Alt-A	244,586	241,010	242,376	237,558	240,876	1.4%	-1.5%
Subprime	251,201	279,636	290,556	281,440	282,879	0.5%	12.6%
Other	180,390	183,103	186,613	166,535	167,619	0.7%	-7.1%
Total	1,308,757	1,319,987	1,327,077	1,262,294	1,269,921	0.6%	-3.0%

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



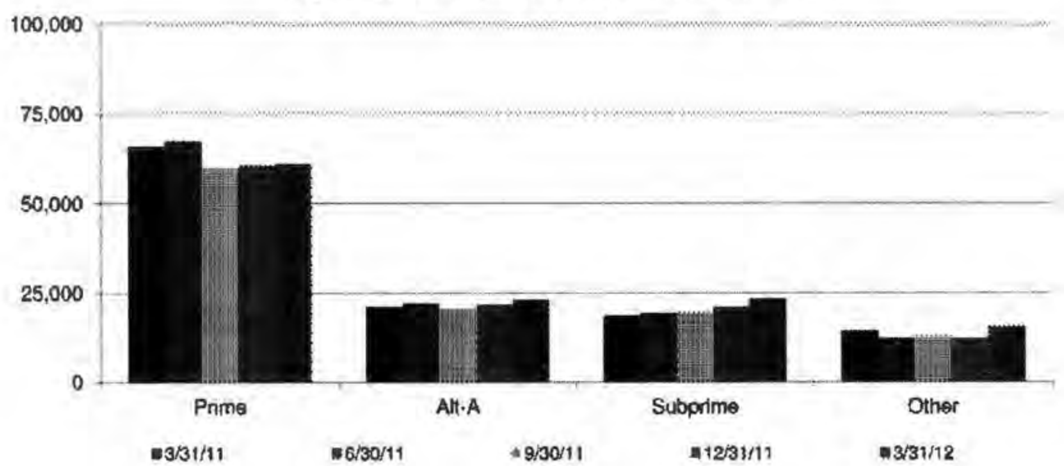
Completed Foreclosures

The number of completed foreclosures increased to 122,979 during the quarter—up 5.9 percent from the previous quarter and 2.7 percent from a year earlier (see table 42). The quarter-to-quarter and year-to-year increases were concentrated among Alt-A, subprime and other risk categories.

Table 42. **Completed Foreclosures**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Percentage of Completed Foreclosures Relative to Mortgages in That Risk Category							
Prime	0.3%	0.3%	0.3%	0.3%	0.3%	1.1%	-4.7%
Alt-A	0.6%	0.6%	0.6%	0.6%	0.7%	7.4%	15.1%
Subprime	0.8%	0.8%	0.8%	0.9%	1.0%	12.4%	34.1%
Other	0.4%	0.3%	0.3%	0.4%	0.5%	29.0%	32.9%
Total	0.4%	0.4%	0.3%	0.4%	0.4%	7.1%	8.3%
Number of Completed Foreclosures							
Prime	65,889	67,451	60,033	60,777	60,984	0.3%	-7.4%
Alt-A	21,033	22,066	20,793	21,788	23,196	6.5%	10.3%
Subprime	18,644	19,364	19,598	21,230	23,373	10.1%	25.4%
Other	14,173	12,328	12,778	12,364	15,426	24.8%	8.8%
Total	119,739	121,209	113,202	116,159	122,979	5.9%	2.7%

Figure 17. **Number of Completed Foreclosures**



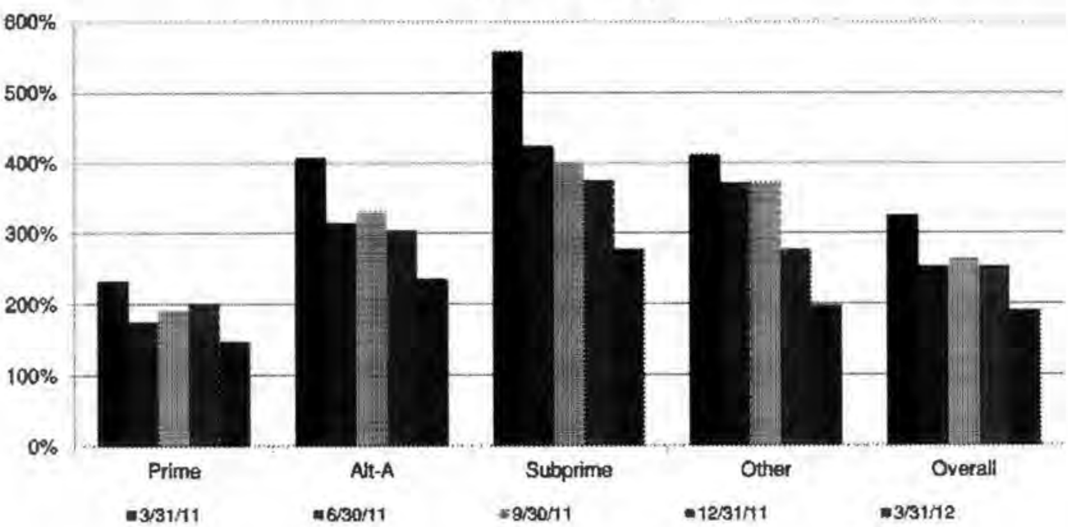
New Home Retention Actions Relative to Forfeiture Actions, by Risk Category

Home retention actions relative to home forfeitures decreased during the first quarter of 2012 because of a 23.3 percent decrease in new home retention actions compared to a 1.9 percent increase in completed foreclosures and other home forfeiture actions (see tables 1 and 5). The percentage of new home retention actions relative to home forfeitures continued to be highest for subprime loans and lowest for prime loans during first quarter 2012. New home retention actions continued to significantly exceed home forfeitures as servicers initiated 1.9 times as many home retention actions as home forfeiture actions during the quarter (see table 43).

Table 43. **Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Prime	231.9%	175.3%	190.9%	199.2%	147.8%	-25.8%	-36.3%
Alt-A	406.5%	313.6%	331.0%	304.9%	234.3%	-23.1%	-42.4%
Subprime	557.0%	423.8%	398.7%	374.5%	277.3%	-26.0%	-50.2%
Other	411.2%	371.4%	372.4%	276.1%	196.9%	-28.7%	-52.1%
Overall	325.0%	253.2%	264.8%	252.4%	190.0%	-24.7%	-41.5%

Figure 18. **Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category**



Appendixes

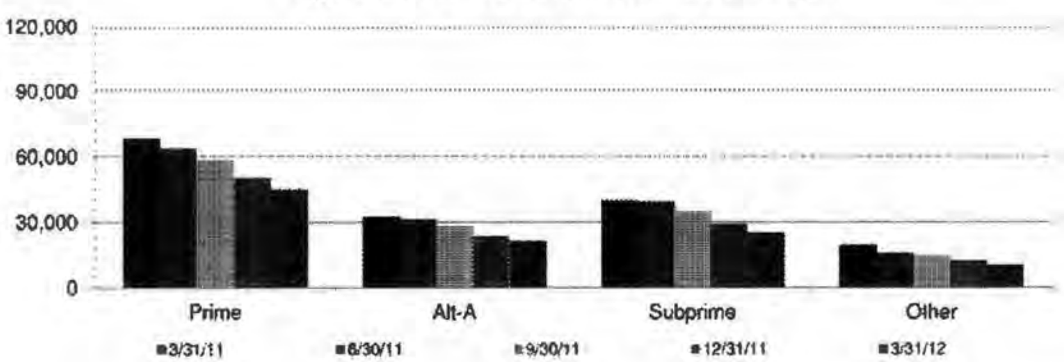
Appendix A—New Loan Modifications

There were 102,158 new loan modifications completed during the first quarter of 2012—a 12 percent decrease from the previous quarter and 36.1 percent decrease from a year earlier (see table 44). New modifications decreased across all risk categories during the quarter, the fourth consecutive quarterly decrease in each risk class.

Table 44. **Number of New Loan Modifications**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Prime	68,178	63,466	58,858	50,480	45,170	-10.5%	-33.7%
Alt-A	32,387	31,232	28,169	23,805	21,266	-10.7%	-34.3%
Subprime	39,957	39,663	35,177	29,367	25,284	-13.9%	-36.7%
Other	19,378	16,108	15,335	12,501	10,436	-16.5%	-46.1%
Total	159,900	150,469	137,539	116,153	102,158	-12.0%	-36.1%

Figure 19. **Number of New Loan Modifications**



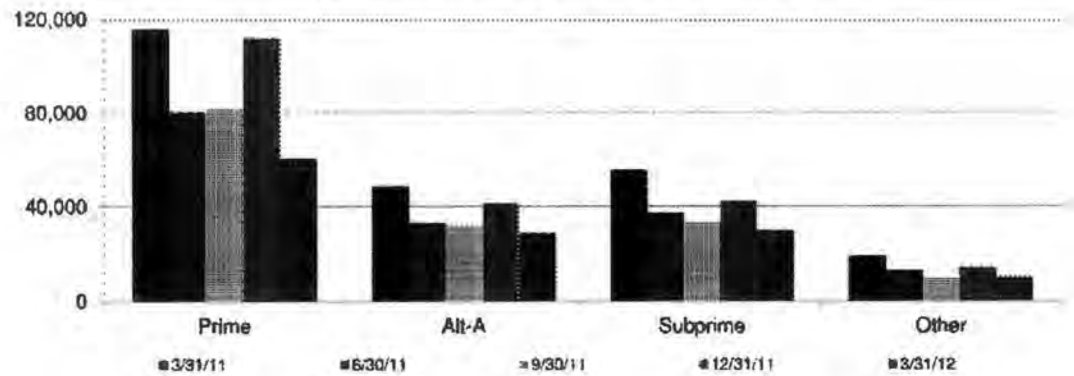
Appendix B—New Trial-Period Plans

Servicers initiated 129,016 trial-period plans during the first quarter of 2012, a 38.6 percent decrease from the previous quarter and 46.0 percent decrease from a year earlier. The size of the decreases from the prior quarter and prior year was affected by a spike in the number of plans reported as completed during the fourth quarter of 2011. In the fourth quarter of 2011 certain servicers converted a significant number of borrowers in existing payment plans to trial period plans. (see table 45).

Table 45. **Number of New Trial-Period Plans**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
Prime	115,742	80,012	82,183	111,968	60,432	-46.0%	-47.8%
Alt-A	48,529	32,771	31,836	41,357	28,596	-30.9%	-41.1%
Subprime	55,455	37,275	33,228	42,708	29,937	-29.9%	-46.0%
Other	19,023	13,018	9,619	14,146	10,051	-28.9%	-47.2%
Total	238,748	163,076	156,866	210,179	129,016	-38.6%	-46.0%

Figure 20. **Number of New Trial-Period Plans**



Appendix C—New Payment Plans

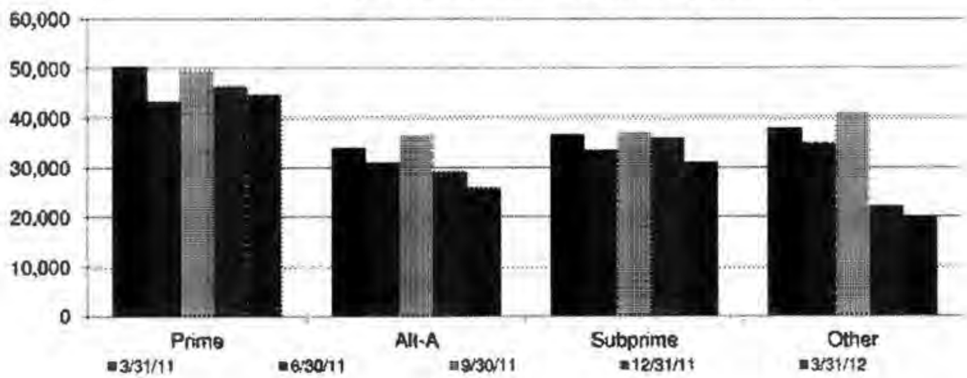
New payment plans decreased by 9.0 percent to 121,815 during the first quarter of 2012 (see table 46). New payment plans decreased across all risk categories during the quarter.

Table 46. **Number of New Payment Plans**

	3/31/11	6/30/11	9/30/11*	12/31/11	3/31/12	1Q %Change	1Y %Change
Prime	50,401	43,356	49,646	46,462	44,697	-3.8%	-11.3%
Alt-A	33,881	30,957	36,758	29,280	25,953	-11.4%	-23.4%
Subprime	36,632	33,544	37,058	36,036	31,177	-13.5%	-14.9%
Other	37,907	34,821	41,104	22,103	19,988	-9.6%	-47.3%
Total	158,821	142,678	164,566	133,881	121,815	-9.0%	-23.3%

*New payment plans completed in the third quarter of 2011 included a one-time increase due to a process change at some servicers that expanded the definition of payment plans to include short-term informal plans.

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



Appendix D—Breakdown of Individual and Combination Modification Actions

Servicers generally use a combination of actions to reduce monthly payments and achieve payment sustainability when modifying a mortgage. Servicers changed more than one loan term in 95.3 percent of all modifications completed during the first quarter of 2012 (see table 47).

Table 47. **Changes in Terms for Modifications Made Through the First Quarter of 2012**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
(Percentage of Modifications in Each Category)							
Combination*	88.2%	94.2%	94.4%	94.5%	95.3%	0.9%	8.0%
Capitalization	3.6%	1.6%	2.5%	2.8%	1.9%	-34.1%	-48.2%
Rate Reduction	1.7%	1.3%	1.2%	0.7%	0.8%	15.1%	-53.0%
Rate Freeze	0.4%	0.3%	0.4%	0.0%	0.2%	1055.9%	-41.9%
Term Extension***	2.9%	0.8%	0.4%	0.4%	0.6%	33.5%	-80.4%
Principal Reduction	0.0%	0.0%	0.0%	0.0%	0.0%	-62.1%	-82.6%
Principal Deferral	0.2%	0.1%	0.0%	0.1%	0.1%	28.1%	-69.2%
Not Reported**	2.9%	1.7%	1.0%	1.5%	1.2%	-22.7%	-60.3%
(Number of Changes in Each Category)							
Combination*	141,030	141,730	129,896	109,728	97,350	-11.3%	-31.0%
Capitalization	5,750	2,385	3,467	3,284	1,902	-42.1%	-66.9%
Rate Reduction	2,709	1,971	1,682	803	813	1.2%	-70.0%
Rate Freeze	657	389	564	24	244	916.7%	-62.9%
Term Extension***	4,690	1,278	482	500	587	17.4%	-87.5%
Principal Reduction	9	10	40	3	1	-66.7%	-88.9%
Principal Deferral	361	132	61	63	71	12.7%	-80.3%
Not Reported**	4,684	2,574	1,327	1,750	1,190	-32.0%	-74.6%
All Modifications	159,900	150,469	137,539	116,153	102,158	-12.0%	-36.1%

*Combination modifications result in a change to two or more loan terms. All other modification types detailed in this table involve only the individual listed action.

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

***Increase in the first quarter of 2012 results from process changes at some servicers that improved the reporting of this data element.

Changes in Terms for Combination Modification Actions

Of the 97,350 combination modifications implemented during the first quarter of 2012, 94.2 percent included capitalization of missed fees and payments, 83.8 percent included interest rate reduction, and 76.7 percent included an extension of the loan maturity. Principal deferral was included in 25.8 percent of the combination modifications implemented during the quarter and principal reduction was part of 10.7 percent of first-quarter combination modifications. Because combination modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total combination modifications.

Table 48. **Changes in Terms for Combination Modifications Through the First Quarter of 2012**

	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	1Q %Change	1Y %Change
(Percentage of Modifications in Each Category)							
Capitalization	94.5%	94.7%	91.0%	95.8%	94.2%	-1.7%	-0.3%
Rate Reduction	91.7%	83.0%	80.8%	82.0%	83.8%	2.2%	-8.6%
Rate Freeze	1.8%	2.0%	4.4%	6.7%	6.3%	-7.0%	255.7%
Term Extension*	62.5%	64.0%	60.9%	58.3%	76.7%	31.5%	22.7%
Principal Reduction	3.4%	6.6%	8.6%	9.0%	10.7%	18.9%	212.9%
Principal Deferral	12.5%	19.7%	21.6%	25.9%	25.8%	-0.6%	106.5%
(Total Number of Changes in Each Category)							
Capitalization	133,236	134,225	118,175	105,081	91,671	-12.8%	-31.2%
Rate Reduction	129,331	117,598	104,969	89,976	81,569	-9.3%	-36.9%
Rate Freeze	2,485	2,820	5,764	7,395	6,101	-17.5%	145.5%
Term Extension*	88,152	90,668	79,054	63,994	74,670	16.7%	-15.3%
Principal Reduction	4,817	9,391	11,143	9,864	10,403	5.5%	116.0%
Principal Deferral	17,597	27,957	28,072	28,433	25,083	-11.8%	42.5%

*Increase in the first quarter of 2012 results from process changes at some servicers that improved the reporting of this data element.

Appendix E—Mortgage Modification Data by State

The following tables present certain mortgage modification data by state, the District of Columbia, and U.S. territories (the latter are included in the category labeled "Other"). This data fulfills reporting requirements in the Dodd–Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203).

Table 49 presents the number and percentage of HAMP modifications and other modifications in each state during the first quarter of 2012. Tables 50 and 51 present the number and percentage of each type of action included in modifications made during the quarter in each state, the District of Columbia, and U.S. territories. Tables 52 and 53 present the number and percentage of each type of action included in combination modifications made during the quarter in each state, the District of Columbia, and U.S. territories. Tables 54 and 55 present the number and percentage of modifications made during the quarter in each state, the District of Columbia, and U.S. territories by the amount of change in the borrowers' monthly principal and interest payments. Tables 56 and 57 present the number and percentage of modifications made in the third quarter of 2011 that were 60 or more days delinquent or in process of foreclosure at the end of the first quarter of 2012.

Table 49. Number and Percentage of Mortgage Modifications
Implemented in the First Quarter of 2012

	HAMP Modifications		Other Modifications		Total Modifications	
States	Total	% of State Total	Total	% of State Total	Total	% of Total
Total - All States	36,554	35.8%	65,604	64.2%	102,158	100.0%
Alabama	189	18.5%	835	81.5%	1,024	1.0%
Alaska	22	32.8%	45	67.2%	67	0.1%
Arizona	946	39.7%	1,437	60.3%	2,383	2.3%
Arkansas	65	19.2%	273	80.8%	338	0.3%
California	10,740	49.9%	10,780	50.1%	21,520	21.1%
Colorado	495	36.9%	848	63.1%	1,343	1.3%
Connecticut	483	34.0%	939	66.0%	1,422	1.4%
Delaware	86	22.8%	291	77.2%	377	0.4%
District of Columbia	89	37.2%	150	62.8%	239	0.2%
Florida	4,333	39.1%	6,757	60.9%	11,090	10.9%
Georgia	1,380	30.3%	3,174	69.7%	4,554	4.5%
Hawaii	117	35.7%	211	64.3%	328	0.3%
Idaho	105	28.2%	268	71.8%	373	0.4%
Illinois	1,888	36.1%	3,346	63.9%	5,234	5.1%
Indiana	254	18.0%	1,158	82.0%	1,412	1.4%
Iowa	79	18.9%	339	81.1%	418	0.4%
Kansas	97	26.0%	276	74.0%	373	0.4%
Kentucky	118	18.8%	510	81.2%	628	0.6%
Louisiana	180	20.2%	713	79.8%	893	0.9%
Maine	94	30.9%	210	69.1%	304	0.3%
Maryland	1,112	33.5%	2,210	66.5%	3,322	3.3%
Massachusetts	791	38.9%	1,243	61.1%	2,034	2.0%
Michigan	769	29.9%	1,800	70.1%	2,569	2.5%
Minnesota	472	35.3%	866	64.7%	1,338	1.3%
Mississippi	77	17.1%	374	82.9%	451	0.4%
Missouri	348	27.5%	917	72.5%	1,265	1.2%
Montana	34	27.6%	89	72.4%	123	0.1%
Nebraska	32	14.9%	183	85.1%	215	0.2%
Nevada	673	41.4%	953	58.6%	1,626	1.6%
New Hampshire	140	41.4%	198	58.6%	338	0.3%
New Jersey	1,359	34.9%	2,530	65.1%	3,889	3.8%
New Mexico	96	24.8%	291	75.2%	387	0.4%
New York	2,444	40.9%	3,535	59.1%	5,979	5.9%
North Carolina	658	23.0%	2,197	77.0%	2,855	2.8%
North Dakota	6	18.8%	26	81.3%	32	0.0%
Ohio	529	21.4%	1,944	78.6%	2.473	2.4%
Oklahoma	80	16.8%	395	83.2%	475	0.5%
Oregon	409	40.5%	602	59.5%	1,011	1.0%
Pennsylvania	680	25.0%	2,036	75.0%	2,716	2.7%
Rhode Island	126	32.3%	264	67.7%	390	0.4%
South Carolina	282	21.7%	1,018	78.3%	1,300	1.3%
South Dakota	12	22.2%	42	77.8%	54	0.1%
Tennessee	330	24.5%	1,019	75.5%	1,349	1.3%
Texas	1.040	21.6%	3,783	78.4%	4,823	4.7%
Utah	282	35.4%	514	64.6%	796	0.8%
Vermont	18	16.5%	91	83.5%	109	0.1%
Virginia	761	33.2%	1,532	66.8%	2,293	2.2%
Washington	845	38.1%	1,374	61.9%	2,219	2.2%
West Virginia	31	16.7%	155	83.3%	186	0.2%
Wisconsin	324	29.0%	793	71.0%	1,117	1.1%
Wyoming	10	18.9%	43	81.1%	53	0.1%
Other	24	49.0%	25	51.0%	49	0.0%

Table 50. Number of Mortgage Modification Actions
Implemented in the First Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reductions	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	1,902	1,057	587	1	71	97,350	1,190	102,158
Alabama	20	5	45	0	0	945	6	1,024
Alaska	3	0	0	0	0	64	0	67
Arizona	44	28	10	0	2	2,275	24	2,363
Arkansas	14	5	1	0	0	317	1	338
California	304	180	51	0	34	20,522	428	21,520
Colorado	24	14	7	0	1	1,290	7	1,343
Connecticut	30	14	4	0	0	1,356	18	1,422
Delaware	9	3	7	0	0	357	1	377
District of Columbia	8	2	1	0	0	228	0	239
Florida	133	97	37	0	6	10,856	161	11,090
Georgia	112	52	49	0	0	4,280	61	4,554
Hawaii	1	3	1	0	0	319	4	328
Idaho	6	11	6	0	1	344	5	373
Illinois	73	32	25	0	0	5,069	35	5,234
Indiana	30	12	14	0	0	1,349	7	1,412
Iowa	8	11	3	0	0	396	0	418
Kansas	6	2	4	0	0	358	3	373
Kentucky	18	10	12	0	0	587	1	628
Louisiana	25	18	6	0	1	838	6	893
Maine	5	1	0	0	0	297	1	304
Maryland	71	28	14	0	5	3,146	58	3,322
Massachusetts	36	17	3	0	1	1,960	17	2,034
Michigan	47	25	18	0	1	2,451	27	2,569
Minnesota	33	10	4	0	1	1,281	9	1,338
Mississippi	11	6	9	0	0	423	2	451
Missouri	50	20	8	0	2	1,178	7	1,265
Montana	3	3	0	0	0	117	0	123
Nebraska	2	2	1	0	0	209	1	215
Nevada	17	25	3	0	1	1,552	28	1,626
New Hampshire	6	1	1	0	0	328	2	338
New Jersey	42	27	17	0	0	3,755	48	3,889
New Mexico	15	5	0	0	0	365	2	387
New York	70	37	22	0	7	5,762	81	5,979
North Carolina	92	47	34	0	0	2,669	13	2,855
North Dakota	2	0	1	0	0	29	0	32
Ohio	57	34	24	1	1	2,350	6	2,473
Oklahoma	16	4	1	0	0	454	0	475
Oregon	17	16	7	0	0	970	1	1,011
Pennsylvania	54	26	23	0	1	2,600	14	2,718
Rhode Island	13	4	2	0	0	368	3	390
South Carolina	29	30	12	0	0	1,225	4	1,300
South Dakota	0	0	1	0	0	52	1	54
Tennessee	38	22	27	0	0	1,256	6	1,349
Texas	177	77	14	0	0	4,531	24	4,823
Utah	12	7	5	0	0	764	8	796
Vermont	1	0	6	0	0	98	4	109
Virginia	85	33	21	0	4	2,152	20	2,293
Washington	27	28	9	0	1	2,126	28	2,219
West Virginia	10	2	1	0	1	170	2	186
Wisconsin	16	16	12	0	0	1,066	7	1,117
Wyoming	2	2	2	0	0	47	0	53
Other	0	0	0	0	0	48	1	49

Table 51. Percentage of Mortgage Modification Actions
Implemented in the First Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	1.9%	1.0%	0.6%	0.0%	0.1%	95.3%	1.2%	102,158
Alabama	2.0%	0.8%	4.4%	0.0%	0.0%	92.0%	0.8%	1,024
Alaska	4.5%	0.0%	0.0%	0.0%	0.0%	95.5%	0.0%	67
Arizona	1.8%	1.2%	0.4%	0.0%	0.1%	95.5%	1.0%	2,385
Arkansas	4.1%	1.5%	0.3%	0.0%	0.0%	93.8%	0.3%	338
California	1.4%	0.8%	0.2%	0.0%	0.2%	95.4%	2.0%	21,520
Colorado	1.8%	1.0%	0.5%	0.0%	0.1%	96.1%	0.5%	1,343
Connecticut	2.1%	1.0%	0.3%	0.0%	0.0%	95.4%	1.3%	1,422
Delaware	2.4%	0.8%	1.9%	0.0%	0.0%	94.7%	0.3%	377
District of Columbia	3.3%	0.8%	0.4%	0.0%	0.0%	95.4%	0.0%	239
Florida	1.2%	0.9%	0.3%	0.0%	0.1%	96.1%	1.5%	11,090
Georgia	2.5%	1.1%	1.1%	0.0%	0.0%	94.0%	1.3%	4,554
Hawaii	0.3%	0.9%	0.3%	0.0%	0.0%	97.3%	1.2%	328
Idaho	1.6%	2.9%	1.6%	0.0%	0.3%	92.2%	1.3%	373
Illinois	1.4%	0.6%	0.5%	0.0%	0.0%	96.8%	0.7%	5,234
Indiana	2.1%	0.8%	1.0%	0.0%	0.0%	95.5%	0.5%	1,412
Iowa	1.9%	2.6%	0.7%	0.0%	0.0%	94.7%	0.0%	418
Kansas	1.6%	0.5%	1.1%	0.0%	0.0%	96.0%	0.8%	373
Kentucky	2.9%	1.6%	1.9%	0.0%	0.0%	93.5%	0.2%	628
Louisiana	2.8%	2.0%	0.9%	0.0%	0.1%	93.8%	0.3%	693
Maine	1.6%	0.3%	0.0%	0.0%	0.0%	97.7%	0.3%	304
Maryland	2.1%	0.8%	0.4%	0.0%	0.2%	94.7%	1.7%	3,327
Massachusetts	1.8%	0.8%	0.1%	0.0%	0.0%	96.4%	0.8%	2,034
Michigan	1.8%	1.0%	0.7%	0.0%	0.0%	95.4%	1.1%	2,569
Minnesota	2.5%	0.7%	0.3%	0.0%	0.1%	95.7%	0.7%	1,338
Mississippi	2.4%	1.3%	2.0%	0.0%	0.0%	93.8%	0.4%	451
Missouri	4.0%	1.6%	0.6%	0.0%	0.2%	93.1%	0.6%	1,265
Montana	2.4%	2.4%	0.0%	0.0%	0.0%	95.1%	0.0%	123
Nebraska	0.9%	0.9%	0.5%	0.0%	0.0%	97.2%	0.5%	215
Nevada	1.0%	1.5%	0.2%	0.0%	0.1%	95.4%	1.7%	1,625
New Hampshire	1.8%	0.3%	0.3%	0.0%	0.0%	97.0%	0.6%	338
New Jersey	1.1%	0.7%	0.4%	0.0%	0.0%	96.6%	1.2%	3,889
New Mexico	3.9%	1.3%	0.0%	0.0%	0.0%	94.3%	0.5%	387
New York	1.2%	0.8%	0.4%	0.0%	0.1%	96.4%	1.4%	5,979
North Carolina	3.2%	1.6%	1.2%	0.0%	0.0%	93.5%	0.5%	2,855
North Dakota	6.3%	0.0%	3.1%	0.0%	0.0%	90.6%	0.0%	32
Ohio	2.3%	1.4%	1.0%	0.0%	0.0%	95.0%	0.2%	2,473
Oklahoma	3.4%	0.8%	0.2%	0.0%	0.0%	95.6%	0.0%	475
Oregon	1.7%	1.6%	0.7%	0.0%	0.0%	95.9%	0.1%	1,011
Pennsylvania	2.0%	1.0%	0.8%	0.0%	0.0%	95.7%	0.5%	2,718
Rhode Island	3.3%	1.0%	0.5%	0.0%	0.0%	94.4%	0.8%	390
South Carolina	2.2%	2.9%	0.8%	0.0%	0.0%	94.2%	0.3%	1,300
South Dakota	0.0%	0.0%	1.9%	0.0%	0.0%	96.3%	1.9%	54
Tennessee	2.8%	1.6%	2.0%	0.0%	0.0%	93.1%	0.4%	1,349
Texas	3.7%	1.6%	0.3%	0.0%	0.0%	93.9%	0.5%	4,823
Utah	1.5%	0.9%	0.6%	0.0%	0.0%	96.0%	1.0%	798
Vermont	0.9%	0.0%	5.5%	0.0%	0.0%	89.9%	3.7%	109
Virginia	2.7%	1.4%	0.9%	0.0%	0.2%	93.9%	0.8%	2,293
Washington	1.2%	1.3%	0.4%	0.0%	0.0%	95.8%	1.3%	2,219
West Virginia	5.4%	1.1%	0.5%	0.0%	0.5%	91.4%	1.1%	186
Wisconsin	1.4%	1.4%	1.1%	0.0%	0.0%	95.4%	0.6%	1,117
Wyoming	3.8%	3.8%	3.8%	0.0%	0.0%	88.7%	0.0%	53
Other	0.0%	0.0%	0.0%	0.0%	0.0%	98.0%	2.0%	49

Table 52. Number of Modification Actions in Combination Actions
Implemented in the First Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	91,671	87,022	74,670	10,403	25,083	97,350
Alabama	788	885	722	32	88	945
Alaska	64	59	47	0	8	64
Arizona	2,161	1,946	1,646	304	798	2,276
Arkansas	302	292	231	15	24	317
California	19,608	18,557	14,971	3,807	7,957	20,523
Colorado	1,232	1,195	980	70	188	1,290
Connecticut	1,296	1,180	1,071	115	323	1,356
Delaware	319	325	284	15	60	357
District of Columbia	218	209	168	21	59	228
Florida	10,181	9,045	8,291	1,769	3,927	10,656
Georgia	3,943	3,932	3,329	207	848	4,280
Hawaii	307	264	218	13	80	319
Idaho	318	298	259	21	62	344
Illinois	4,809	4,363	4.098	507	1,503	5,069
Indiana	1,288	1,233	1,085	70	111	1,349
Iowa	375	357	326	16	33	396
Kansas	332	325	259	13	34	358
Kentucky	515	544	467	20	40	587
Louisiana	761	779	638	24	74	838
Maine	284	258	227	13	51	297
Maryland	2,993	2,768	2,390	307	818	3,146
Massachusetts	1,877	1,699	1,517	167	498	1,960
Michigan	2,281	2,145	1,868	288	586	2,451
Minnesota	1,210	1,150	974	93	282	1,281
Mississippi	367	396	390	23	40	423
Missouri	1,095	1,089	870	69	139	1,178
Montana	106	107	96	0	24	117
Nebraska	193	197	172	2	16	209
Nevada	1,508	1,245	1,094	215	599	1,592
New Hampshire	305	295	233	20	60	328
New Jersey	3,625	3,222	3,031	344	1,096	3,755
New Mexico	325	326	288	13	44	365
New York	5,599	5,265	4,636	584	1,423	5,762
North Carolina	2,365	2,448	2,140	66	294	2,669
North Dakota	21	26	25	0	1	29
Ohio	2,126	2,170	1,895	123	301	2,350
Oklahoma	420	426	346	10	24	454
Oregon	904	868	747	83	222	970
Pennsylvania	2,410	2,370	2,050	143	399	2,600
Rhode Island	345	319	292	27	105	368
South Carolina	1,089	1,114	979	47	149	1,225
South Dakota	51	50	40	2	3	52
Tennessee	1,125	1,180	945	70	121	1,256
Texas	4,278	4,252	3,599	175	370	4,531
Utah	728	690	553	44	190	764
Vermont	72	91	79	2	8	98
Virginia	1,950	1,967	1,629	163	428	2,152
Washington	2.008	1,896	1,677	187	528	2.128
West Virginia	148	160	128	5	20	170
Wisconsin	970	986	792	96	188	1,066
Wyoming	34	45	38	0	9	47
Other	48	43	25	3	6	48

Table 53. Percentage of Modification Actions in Combination Actions Implemented in the First Quarter of 2012						
States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	94.2%	89.4%	76.7%	10.7%	25.8%	97,350
Alabama	83.4%	93.7%	76.4%	3.4%	9.3%	945
Alaska	100.0%	92.2%	73.4%	0.0%	12.5%	64
Arizona	94.5%	85.5%	72.4%	18.4%	32.4%	2,275
Arkansas	95.3%	92.1%	72.9%	4.7%	7.6%	317
California	95.5%	90.4%	72.3%	18.5%	38.8%	20,523
Colorado	95.5%	92.6%	76.0%	5.4%	14.6%	1,290
Connecticut	95.6%	87.0%	79.0%	8.5%	23.8%	1,356
Delaware	89.4%	91.0%	79.6%	4.2%	16.8%	357
District of Columbia	95.6%	87.7%	73.7%	9.2%	25.9%	228
Florida	95.5%	84.9%	77.8%	16.6%	36.9%	10,656
Georgia	92.1%	91.9%	77.7%	7.2%	19.8%	4,280
Hawaii	96.2%	82.8%	68.3%	4.1%	25.1%	319
Idaho	92.4%	86.6%	76.3%	6.1%	18.0%	344
Illinois	94.9%	86.1%	80.8%	10.0%	29.7%	5,069
Indiana	94.1%	91.4%	80.4%	5.2%	8.2%	1,349
Iowa	94.7%	90.2%	82.3%	4.0%	8.3%	396
Kansas	92.7%	90.8%	72.3%	3.8%	9.5%	358
Kentucky	87.7%	92.7%	79.6%	3.4%	6.8%	587
Louisiana	93.2%	93.0%	78.1%	2.9%	5.9%	638
Maine	95.6%	86.9%	76.4%	4.4%	17.2%	297
Maryland	96.1%	88.0%	73.1%	9.8%	36.0%	2,146
Massachusetts	95.8%	86.7%	77.4%	8.5%	25.4%	1,960
Michigan	93.1%	87.5%	76.2%	9.3%	23.1%	2,451
Minnesota	94.5%	89.8%	76.0%	7.3%	22.0%	1,281
Mississippi	86.8%	93.6%	70.9%	5.4%	9.5%	423
Missouri	93.0%	92.4%	73.9%	5.9%	11.8%	1,178
Montana	90.6%	91.5%	83.8%	0.0%	20.5%	117
Nebraska	92.3%	94.3%	82.3%	1.0%	7.7%	209
Nevada	96.8%	80.2%	70.6%	19.9%	56.6%	1,552
New Hampshire	93.0%	89.9%	71.0%	6.1%	18.3%	328
New Jersey	96.5%	85.5%	80.7%	9.2%	29.2%	3,755
New Mexico	89.0%	89.3%	78.9%	3.6%	12.1%	365
New York	97.2%	91.4%	80.5%	8.1%	24.7%	5,762
North Carolina	88.6%	91.7%	80.2%	2.5%	11.0%	2,669
North Dakota	72.4%	89.7%	86.2%	0.0%	3.4%	29
Ohio	90.5%	92.3%	80.6%	5.2%	12.8%	2,350
Oklahoma	92.5%	93.6%	76.2%	2.2%	5.3%	454
Oregon	93.2%	89.5%	77.0%	8.6%	22.9%	970
Pennsylvania	92.7%	91.2%	78.8%	5.5%	14.2%	2,800
Rhode Island	93.8%	86.7%	79.3%	7.3%	28.5%	368
South Carolina	93.7%	90.9%	79.9%	5.8%	12.2%	1,225
South Dakota	98.1%	96.2%	76.9%	3.8%	5.8%	52
Tennessee	89.6%	93.9%	75.2%	5.6%	9.6%	1,256
Texas	94.4%	93.8%	79.4%	3.9%	8.2%	4,531
Utah	95.3%	90.3%	72.4%	5.8%	17.0%	764
Vermont	73.5%	92.9%	80.6%	2.0%	8.2%	98
Virginia	90.6%	91.4%	75.7%	7.6%	18.9%	2,152
Washington	94.4%	89.2%	78.9%	8.8%	24.8%	2,126
West Virginia	87.1%	94.1%	74.1%	2.9%	11.8%	170
Wisconsin	91.0%	90.6%	74.3%	9.0%	17.6%	1,066
Wyoming	72.3%	95.7%	76.6%	0.0%	6.4%	47
Other	100.0%	89.6%	52.1%	6.3%	12.5%	48

Table 54. Changes in Monthly Principal and Interest Payments by State (Number)
Modifications Implemented in the First Quarter of 2012

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	63,716	16,218	13,134	1,059	7,559	472	102,158
Alabama	475	215	192	42	95	5	1,024
Alaska	37	11	12	0	7	0	67
Arizona	1,551	377	270	29	147	9	2,383
Arkansas	142	92	60	3	37	4	338
California	15,089	2,675	2,013	240	1,442	60	21,520
Colorado	766	262	213	13	87	2	1,343
Connecticut	931	226	152	6	101	6	1,422
Delaware	201	78	57	7	32	2	377
District of Columbia	139	41	34	2	23	0	239
Florida	7,990	1,344	1,000	88	616	52	11,090
Georgia	2,615	737	758	59	353	32	4,554
Hawaii	229	52	31	2	12	2	328
Idaho	198	83	61	5	24	2	373
Illinois	3,577	757	559	31	293	17	5,234
Indiana	672	266	283	18	123	20	1,412
Iowa	223	82	75	2	35	1	418
Kansas	193	74	66	3	33	4	373
Kentucky	275	127	149	10	66	1	628
Louisiana	400	203	160	9	117	4	893
Maine	174	53	49	1	26	1	304
Maryland	2,015	550	467	17	262	11	3,322
Massachusetts	1,346	338	232	8	107	3	2,034
Michigan	1,581	421	336	50	169	12	2,569
Minnesota	776	232	189	6	116	19	1,338
Mississippi	189	118	86	14	41	3	451
Missouri	607	292	211	10	134	11	1,265
Montana	64	29	14	3	13	0	123
Nebraska	102	39	40	2	25	7	215
Nevada	1,156	203	146	26	89	6	1,626
New Hampshire	190	67	48	2	29	2	338
New Jersey	2,611	596	407	29	234	12	3,889
New Mexico	205	71	67	5	37	2	387
New York	4,179	852	585	34	209	20	5,879
North Carolina	1,437	507	536	57	302	16	2,855
North Dakota	12	3	10	1	5	1	32
Ohio	1,280	464	403	38	251	37	2,473
Oklahoma	188	123	90	5	60	9	475
Oregon	633	182	125	5	62	4	1,011
Pennsylvania	1,565	503	383	24	234	9	2,718
Rhode Island	251	55	52	4	28	0	390
South Carolina	860	273	223	18	122	4	1,300
South Dakota	20	14	12	1	7	0	54
Tennessee	669	266	250	24	131	9	1,349
Texas	2,212	952	981	36	627	15	4,823
Utah	429	177	117	8	61	4	796
Vermont	51	22	20	4	7	5	109
Virginia	1,281	416	375	26	184	11	2,293
Washington	1,393	387	287	17	127	8	2,219
West Virginia	86	34	35	3	27	1	186
Wisconsin	593	215	200	9	93	7	1,117
Wyoming	25	12	9	3	4	0	53
Other	33	9	4	0	3	0	49

Table 55. Changes in Monthly Principal and Interest Payments (Percentage)
Modifications Implemented During the First Quarter of 2012

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	62.4%	15.9%	12.9%	1.0%	7.4%	0.5%	102,158
Alabama	46.4%	21.0%	18.9%	4.1%	9.3%	0.5%	1,024
Alaska	55.2%	16.4%	17.9%	0.0%	10.4%	0.0%	67
Arizona	65.1%	15.8%	11.3%	1.2%	6.2%	0.4%	2,393
Arkansas	42.0%	27.2%	17.8%	0.9%	10.9%	1.2%	338
California	70.1%	12.4%	9.4%	1.1%	6.7%	0.3%	21,520
Colorado	57.0%	19.5%	15.9%	1.0%	6.5%	0.1%	1,343
Connecticut	65.5%	15.9%	10.7%	0.4%	7.1%	0.4%	1,422
Delaware	53.3%	20.7%	15.1%	1.9%	8.5%	0.5%	377
District of Columbia	58.2%	17.2%	14.2%	0.8%	9.6%	0.0%	239
Florida	72.0%	12.1%	9.0%	0.8%	5.6%	0.5%	11,090
Georgia	57.4%	16.2%	16.8%	1.3%	7.6%	0.7%	4,554
Hawaii	69.8%	15.9%	9.5%	0.6%	3.7%	0.6%	328
Idaho	53.1%	22.3%	16.4%	1.3%	6.4%	0.5%	373
Illinois	68.3%	14.5%	10.7%	0.6%	5.6%	0.3%	5,234
Indiana	47.6%	21.0%	20.0%	1.3%	8.7%	1.4%	1,412
Iowa	53.3%	19.6%	17.9%	0.5%	8.4%	0.2%	418
Kansas	51.7%	19.8%	17.7%	0.8%	8.8%	1.1%	373
Kentucky	43.6%	20.2%	23.7%	1.6%	10.5%	0.2%	628
Louisiana	44.8%	22.7%	17.9%	1.0%	13.1%	0.4%	393
Maine	57.2%	17.4%	16.1%	0.3%	8.6%	0.3%	304
Maryland	60.7%	16.6%	14.1%	0.5%	7.8%	0.3%	5,322
Massachusetts	66.2%	16.6%	11.4%	0.4%	5.3%	0.1%	2,034
Michigan	61.5%	16.4%	13.1%	1.9%	6.6%	0.5%	2,569
Minnesota	58.0%	17.3%	14.1%	0.4%	8.7%	1.4%	1,338
Mississippi	41.9%	26.2%	19.1%	3.1%	9.1%	0.7%	451
Missouri	48.0%	23.1%	16.7%	0.8%	10.6%	0.9%	1,265
Montana	52.0%	23.6%	11.4%	2.4%	10.6%	0.0%	123
Nebraska	47.4%	18.1%	18.6%	0.9%	11.6%	3.3%	215
Nevada	71.1%	12.5%	9.0%	1.6%	5.5%	0.4%	1,626
New Hampshire	56.2%	19.8%	14.2%	0.6%	8.6%	0.6%	338
New Jersey	67.1%	15.3%	10.5%	0.7%	6.0%	0.3%	3,389
New Mexico	53.0%	18.3%	17.3%	1.3%	9.6%	0.5%	387
New York	68.9%	14.4%	9.8%	0.6%	6.0%	0.3%	5,879
North Carolina	50.3%	17.8%	18.8%	2.0%	10.6%	0.6%	2,855
North Dakota	37.5%	9.4%	31.3%	3.1%	15.6%	3.1%	32
Ohio	51.8%	18.8%	16.3%	1.5%	10.1%	1.5%	2,473
Oklahoma	39.6%	25.9%	18.9%	1.1%	12.6%	1.9%	476
Oregon	62.6%	18.0%	12.4%	0.5%	6.1%	0.4%	1,011
Pennsylvania	57.6%	18.5%	14.1%	0.9%	8.6%	0.3%	2,718
Rhode Island	64.4%	14.1%	13.3%	1.0%	7.2%	0.0%	390
South Carolina	50.6%	21.0%	17.2%	1.4%	9.4%	0.3%	1,309
South Dakota	37.0%	25.9%	22.2%	1.9%	13.0%	0.0%	54
Tennessee	49.6%	19.7%	18.5%	1.6%	9.7%	0.7%	1,349
Texas	45.9%	19.7%	20.3%	0.7%	13.0%	0.3%	4,823
Utah	53.9%	22.2%	14.7%	1.0%	7.7%	0.5%	796
Vermont	46.8%	20.2%	18.3%	3.7%	6.4%	4.6%	109
Virginia	55.9%	18.1%	16.4%	1.1%	8.0%	0.5%	2,293
Washington	62.8%	17.4%	12.9%	0.8%	5.7%	0.4%	2,219
West Virginia	46.2%	18.3%	18.8%	1.6%	14.5%	0.5%	186
Wisconsin	53.1%	19.2%	17.9%	0.8%	8.3%	0.6%	1,117
Wyoming	47.2%	22.6%	17.0%	5.7%	7.5%	0.0%	53
Other	67.3%	18.4%	8.2%	0.0%	6.1%	0.0%	49

Table 56. Number of Re-Defaults for Loans Modified in the Third Quarter of 2011
(60 or More Days Delinquent After 6 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	6,439	3,730	5,272	332	3,379	87	19,239
Alabama	58	52	80	6	54	1	251
Alaska	2	4	1	0	2	0	9
Arizona	208	115	145	5	66	1	540
Arkansas	25	20	33	1	15	0	94
California	1,116	457	536	40	408	8	2,565
Colorado	65	60	82	6	36	0	249
Connecticut	93	47	60	4	41	2	247
Delaware	24	17	39	3	17	0	100
District of Columbia	8	9	17	0	6	0	40
Florida	723	304	326	35	188	9	1,585
Georgia	307	220	381	18	226	9	1,161
Hawaii	18	7	15	2	4	1	47
Idaho	24	17	28	1	11	0	81
Illinois	394	212	276	15	192	5	1,094
Indiana	90	96	128	4	79	2	399
Iowa	34	26	29	1	20	1	111
Kansas	27	20	27	0	15	2	91
Kentucky	41	40	38	5	33	0	157
Louisiana	58	62	63	3	59	0	245
Maine	24	10	11	2	15	1	63
Maryland	196	114	197	7	105	1	620
Massachusetts	115	72	91	4	47	0	329
Michigan	174	123	146	11	90	6	550
Minnesota	107	55	71	3	47	1	284
Mississippi	40	26	36	5	35	1	143
Missouri	106	64	93	5	41	1	310
Montana	8	3	13	0	6	0	30
Nebraska	16	12	17	0	11	0	56
Nevada	134	67	86	5	39	0	331
New Hampshire	26	12	16	0	7	0	61
New Jersey	254	130	199	16	160	3	762
New Mexico	30	13	30	0	15	0	88
New York	324	157	202	11	139	3	836
North Carolina	184	127	224	12	132	2	681
North Dakota	0	2	0	0	2	0	4
Ohio	167	125	186	15	129	4	626
Oklahoma	28	35	52	5	29	2	151
Oregon	62	33	41	2	35	1	174
Pennsylvania	176	118	175	11	117	4	601
Rhode Island	28	17	16	1	16	0	78
South Carolina	86	68	89	6	69	4	330
South Dakota	4	0	5	0	2	0	11
Tennessee	92	62	118	8	56	1	337
Texas	340	288	465	28	315	8	1,444
Utah	38	26	55	3	36	0	158
Vermont	6	3	8	0	5	0	22
Virginia	130	64	124	7	73	3	401
Washington	108	85	99	4	66	0	362
West Virginia	9	7	15	3	12	0	46
Wisconsin	87	36	77	7	51	0	258
Wyoming	1	3	6	0	3	0	13
Other	4	2	5	0	2	0	13

Table 57. Re-Default Rates for Loans Modified in the Third Quarter of 2011 (Percentage)
(60 or More Days Delinquent After 6 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	8.9%	15.0%	22.2%	10.2%	30.5%	16.3%	14.1%
Alabama	11.8%	16.9%	27.5%	25.0%	40.9%	12.5%	20.1%
Alaska	7.1%	26.7%	4.3%	0.0%	12.5%	0.0%	10.7%
Arizona	8.9%	15.9%	22.7%	5.7%	26.0%	7.7%	13.3%
Arkansas	13.7%	18.5%	28.2%	11.1%	28.3%	0.0%	20.0%
California	6.1%	11.0%	13.7%	4.5%	22.7%	9.8%	8.8%
Colorado	7.4%	12.8%	18.3%	10.9%	21.6%	0.0%	12.3%
Connecticut	10.1%	16.1%	22.0%	11.9%	27.7%	33.3%	14.6%
Delaware	11.0%	16.5%	29.8%	30.0%	32.1%	0.0%	19.3%
District of Columbia	9.1%	23.1%	29.3%	0.0%	20.7%	0.0%	17.3%
Florida	8.5%	15.0%	18.6%	8.3%	24.2%	15.8%	11.7%
Georgia	10.4%	17.9%	20.9%	15.9%	42.8%	23.1%	18.9%
Hawaii	7.7%	11.7%	20.0%	50.0%	22.2%	50.0%	11.9%
Idaho	6.3%	17.0%	23.7%	20.0%	28.3%	0.0%	14.7%
Illinois	9.7%	18.6%	25.2%	11.0%	33.2%	22.7%	15.5%
Indiana	10.8%	17.1%	26.7%	10.0%	33.8%	18.2%	18.5%
Iowa	13.9%	18.3%	23.4%	12.5%	28.2%	25.0%	18.7%
Kansas	12.2%	16.7%	22.7%	0.0%	26.8%	50.0%	17.2%
Kentucky	12.3%	19.0%	21.0%	29.4%	34.7%	0.0%	18.6%
Louisiana	14.4%	21.1%	22.7%	15.6%	36.6%	0.0%	20.8%
Maine	14.7%	11.1%	18.0%	40.0%	36.6%	50.0%	17.4%
Maryland	9.6%	14.3%	23.4%	8.6%	28.4%	5.9%	15.0%
Massachusetts	8.3%	15.0%	21.7%	6.5%	25.5%	0.0%	13.0%
Michigan	8.1%	14.8%	19.9%	5.4%	26.2%	21.4%	12.8%
Minnesota	10.5%	13.7%	19.7%	4.9%	29.9%	8.3%	14.1%
Mississippi	14.2%	21.7%	26.5%	22.7%	41.7%	100.0%	22.0%
Missouri	13.1%	16.3%	24.9%	13.9%	26.3%	14.3%	17.4%
Montana	8.1%	9.7%	25.5%	0.0%	30.0%	0.0%	14.6%
Nebraska	12.6%	16.0%	26.2%	0.0%	25.6%	0.0%	17.8%
Nevada	5.5%	16.8%	26.7%	6.9%	28.3%	0.0%	12.8%
New Hampshire	9.7%	13.0%	15.5%	0.0%	18.4%	0.0%	11.6%
New Jersey	9.8%	15.8%	25.4%	20.5%	36.6%	23.1%	16.2%
New Mexico	12.1%	9.4%	25.2%	0.0%	29.4%	0.0%	15.6%
New York	8.6%	14.7%	21.3%	9.5%	32.3%	14.3%	13.5%
North Carolina	11.7%	15.9%	27.4%	17.1%	34.7%	8.7%	18.6%
North Dakota	0.0%	28.6%	0.0%	0.0%	25.0%	0.0%	10.0%
Ohio	11.4%	17.3%	25.5%	16.7%	33.1%	25.0%	18.4%
Oklahoma	11.5%	20.3%	30.8%	35.7%	29.6%	50.0%	21.6%
Oregon	8.0%	11.6%	20.0%	11.1%	32.7%	20.0%	12.5%
Pennsylvania	11.4%	15.8%	25.7%	14.8%	31.0%	33.3%	17.2%
Rhode Island	8.6%	20.7%	20.5%	9.1%	39.0%	0.0%	14.5%
South Carolina	13.4%	16.8%	22.3%	16.7%	39.0%	36.4%	19.0%
South Dakota	19.0%	0.0%	19.2%	0.0%	20.0%	0.0%	14.7%
Tennessee	12.1%	15.5%	25.8%	20.5%	29.6%	9.1%	18.6%
Texas	12.8%	19.1%	29.5%	45.2%	37.4%	34.8%	21.7%
Utah	7.1%	10.3%	22.4%	25.0%	34.0%	0.0%	13.7%
Vermont	11.1%	15.0%	23.5%	0.0%	45.5%	0.0%	17.5%
Virginia	9.1%	10.1%	20.5%	8.4%	29.8%	25.0%	13.3%
Washington	7.6%	14.6%	19.3%	5.9%	30.1%	0.0%	12.9%
West Virginia	9.2%	12.7%	21.7%	25.0%	37.5%	0.0%	17.1%
Wisconsin	12.2%	12.3%	24.8%	23.3%	33.1%	0.0%	17.1%
Wyoming	3.7%	19.6%	20.7%	0.0%	37.5%	0.0%	14.6%
Other	9.1%	7.1%	26.3%	0.0%	40.0%	0.0%	13.0%

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Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

August 17, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson:

Enclosed please find my responses to the questions for the record submitted following the June 6, 2012, hearing on *"Implementing Wall Street Reform: Enhancing Bank Supervision and Reducing Systemic Risk."*

I hope the information provided is helpful to the Committee. If you have questions or need additional information, please contact Carrie Moore, Director for Congressional Liaison, at 202-874-1881.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

Enclosure

<u>Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Menendez:</u>

Do you agree with the comments that former Comptroller of the Currency John Walsh made in London at the Center for the Study of Financial Innovation in 2011 to the effect that regulators should not require more capital at our largest banks?

As I have stated previously to the Senate Banking Committee, I am a strong proponent of increasing both the quantity and quality of the capital reserves held by our financial institutions. Towards that end, I support and continue to move forward with the revisions to capital standards developed by the Basel Committee. The OCC and the other federal banking agencies recently approved a set of proposed rules and a final rule that move the United States forward in adopting the Basel capital standards often referred to as Basel III.

More specifically, we continue to support the higher capital standards developed by the Basel Committee for systemically important banks, and we are working with the Federal Reserve Board as it develops enhanced prudential standards (including capital) for bank holding companies with over $50 billion in assets as part of the implementation of section 165 of the Dodd Frank Act.

Are there any tools that you need to correct the problems with large trading losses at systemically significant institutions that Congress has not already given you in the Wall Street reform law or that is in other existing authority?

No. The OCC has appropriate authority to review and assess trading operations conducted within the institutions we supervise, and, if warranted, take appropriate enforcement actions based on those assessments. Our authority includes the ability to access relevant books and records of a bank's trading activities and its associated policies, procedures, and controls to manage those risks. We likewise have an array of tools that we can use to compel corrective action, ranging from Matters Requiring Attention to formal cease and desist orders.

Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Toomey:

When Congress passed the Volcker Rule provisions of the Dodd-Frank Act, Congress intended to give regulators the authority to exclude venture capital funds from the definition of "covered funds." In a recent study, the FSOC recommended "that Agencies carefully evaluate the range of funds and other legal vehicles that rely on the exclusions contained in section 3(c)(1) or 3(c)(7) and consider whether it is appropriate to narrow the statutory definition by rule in some cases."

1. **Do you agree that you have the authority and discretion to exclude venture capital funds from the definition of "covered funds?"**

The agencies are reviewing and carefully considering the many comments we have received on the scope of our authority and discretion to exclude certain funds and other legal vehicles that rely on the exclusions contained in section 3(c)(1) or 3(c)(7) from the definition of "covered fund." Because we are in the midst of this joint rulemaking, we are unable to express our views on the merits of the question you raised or provide interpretive advice on the provisions of section 619. Rest assured, however, that the OCC is committed to working expeditiously with the other regulators to develop a final rule that is consistent with statutory requirements.

As you know, the OCC regulates national banks and federal thrifts that have limited authority to directly make venture capital investments. The involvement of national banks and federal thrifts in venture capital investments is limited given the restrictions on their authority to invest in securities under applicable laws and regulations. See 12 U.S.C. §§ 24(Seventh) and 1464(c); and 12 CFR Part 1 and 160.30.

However, national banks and federal thrifts may rely on their small business investment company and public welfare investment authorities to make equity and equity-like venture capital investments. See 15 U.S.C. § 682(b); 12 U.S.C. §§ 24 (Eleventh) and 1464(c)(4)(F). For example, national banks and federal thrifts each may invest up to specified limits in small business investment companies (SBICs), which are privately owned and managed investment funds licensed by the Small Business Administration (SBA) that can make venture capital investments, and in community development venture capital companies (CDVCs), which operate similarly to an SBIC but without SBA involvement. We note that section 619 expressly preserves the ability of banks and thrifts to invest in SBICs and other public welfare investments of the type permitted under 12 U.S.C. 24 (Eleventh).

2. **Do you agree that sound venture capital investments lead to job creation and economic growth?**

While questions related to the impact of specific types of entities on job creation and economic growth are not within the scope of the OCC's mission, the sound deployment of capital is clearly critical to a well-functioning economy.

<u>Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Vitter:</u>

1. **At what point in the process of JPMorgan making this trade and the public reporting of the losses did the OCC examiners become aware of this trade?**

   The OCC knew the bank was planning to modify its position; however, we were not fully aware of the manner in which management chose to do that, or the rapid build-up in the size or complexity of the bank's CDS positions in the first quarter of 2012. Bank reports did not initially fully identify and convey measurements of the change in risk, and bank executive management did not understand the full impact of the new exposures. Unexpected losses were first identified in late March. The CEO of the CIO explained that these were an anomaly in market prices and that the market would "mean-revert." Profit and loss volatility increased in early April leading up to the "London Whale" article on April 6, 2012. We spoke with bank management at various times in April and obtained more detailed information on the position as press reports appeared about the bank's positions in the market. At the time, management indicated the situation was managed and under control. We advised bank management to keep us informed and notify us of material changes, and we began discussing additional follow up actions. From that time forward, the losses became larger and the explanation of market anomaly was less viable. On May 4, management contacted the OCC EIC to notify him of the changed assessment and the magnitude of losses realized during the second half of April.

2. **Does the OCC examine each of these trades as they occur? If not, how does the OCC monitor the risk that the banks it supervises is undertaking?**

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   Bank management is responsible for managing risks. The OCC focuses on whether a bank has a sound risk management system. A sound program will identify risk, measure risk, monitor risk, and control risk. Through a combination of discussions with management supported by review of board and management reports, examination activities are targeted based on assessment of risk. OCC examiners evaluate policies, procedures, activities and performance. Under this approach, examiners focus on a bank's risk appetite and the limits and controls that are designed and implemented to identify and control the risks they assume.

   The OCC recognizes that banking is a business of taking risks in order to earn a profit. However, when risk is not properly managed, the OCC directs bank management to take corrective action. In all cases, the OCC's primary concern is that the bank operates in a safe and sound manner and maintains capital, reserves and liquidity commensurate with its risk.

3. **How many trades does JPMorgan have of this magnitude and what are the possibilities, given Europe and a softening domestic economy that a number of these bets go bad at the same time?**

   Trading in these instruments historically occurs primarily in the Investment Bank, where the controls are appropriate for the risk and activity. We do not believe that other such significant positions exist in the company. Stress testing for a variety of stress scenarios occurs regularly, and both European and domestic considerations are among those analyzed.

4. **If regulators are focused on regulating risk management practices, and not focused on individual trades regardless of size, would the regulators and the banking system would be safer and better off if the larger banks were required to hold more capital than regional or community banks?**

   The OCC supports both the Basel Committee's efforts to require higher capital for systemically important banks and the provisions of the Dodd-Frank Act which require enhanced prudential standards (including capital) for bank holding companies with over $50 billion in assets. Both of these initiatives will lead large banks to hold more capital than regional and community banks.

   In addition, the U.S. bank regulatory agencies recently finalized changes to capital standards that apply to banks' trading activities. These changes are consistent with changes made by the Basel Committee to reflect lessons learned during the financial crisis. These enhancements, often referred to as Basel 2.5, should improve the risk sensitivity of capital standards with respect to banks' trading exposures.

   While the changes to capital standards represent marked improvements in risk measurement and material increases in capital requirements for large banks, we do not view them as a substitute for, but rather as a complement to, strong supervision and improved bank risk management practices.

<u>Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Ranking Member Shelby:</u>

1. In the wake of the JPMorgan loss there has been a lot of discussion about hedging activities. Many financial institutions develop hedging strategies with interest rate and credit derivatives to hedge volatility.

    a. **What is the oversight process for banks who hedge risk and how are these hedges examined?**

    As banking is a risk-taking business, we fully expect that banks will take actions to reduce or eliminate unwanted risk exposures. Hedging actions can take place on a transaction-by-transaction basis, or on a portfolio basis. Transaction hedging is easier to define and understand as one can see the risk additive transactions being offset by risk reduction transactions.

    The concept is the same for portfolio hedging, but the measurement of the correlation between the portfolio of risk and the hedge is more difficult to document, as the hedging instrument is not always the specific offset to the underlying risk. Similar to transaction hedging, we look to understand the nature of the portfolio of risk, how its value changes with price or rate changes. We then look to see how the hedge performs in similar situations. We expect bank reports to document and support a strong negative correlation between the risk position and the hedge.

    b. **How do you determine whether a particular activity is or is not really "hedging"?**

    A hedge position must be offsetting some existing risk exposure. Bank risk reports need to identify the underlying position and document its sensitivity to price or rate movements.

2. Given the complexities identified during the hearing with determining whether or not a trade is a hedge or a proprietary trade, it appears the real issue is whether a trade threatens the safety and soundness of the bank.

    a. **How do you determine whether the trade presents risks to the safety and soundness of a bank?**

    A trade (or trading position consisting of multiple trades) would present risks to the safety and soundness of a bank if the loss exposure materially impacted the earnings and capital of the bank. We evaluate risk measures, position reports, and limits (including VAR and others established to guard against illiquid or concentrated positions) to ensure that the risk appetite is reasonable and would not pose a material threat to earnings or capital. Controls should also be in place and be tested regularly to ensure that risk-takers operate within their limits.

b. **If a trade does present such risks, what authority do you have to stop or prevent the trade from occurring?**

Through the examination process, the OCC will evaluate risk mitigation activities. In the event that we determine inappropriate risk, we will call this to management's attention and require actions to remediate our concerns.

If bank management is not sufficiently responsive, the OCC has a wide-range of supervisory tools that it can use to address an unsafe and unsound position that threatens the bank including a temporary Cease and Desist Order. A temporary Cease and Desist Order is an interim order issued by the OCC pursuant to its authority under 12 U.S.C. 1818(c) and is used to impose measures that are needed immediately pending resolution of a final Cease and Desist Order. Such orders are typically used only when immediately necessary to protect the bank against ongoing or expected harm. A Temporary Cease and Desist Order may be challenged in U.S. district court within 10 days of issuance, but is effective upon issuance and remains effective unless overturned by the court or until a final order is in place.

3. The FDIC has testified today that small bankers have told the FDIC that compliance with the escrow account requirement in Dodd-Frank could be so costly as to be prohibitive, and that they would cease originating mortgage loans for their customers.

    a. **Do you agree with the FDIC?**
    b. **What specific recommendations has the OCC given the Bureau as it develops the final rule implementing the Dodd-Frank escrow requirements?**

While we have not received direct communication from the community banks that we supervise about the potential changes to the escrow requirements, we have received anecdotal reports that indicate some community bankers have concerns about these proposed changes. We are also aware of the comment letters that the Independent Bankers Association of Texas submitted to the Federal Reserve Board and more recently, to the Consumer Financial Protection Bureau (CFPB) on this issue.

Community bankers, however, have expressed concerns to us about the overall cumulative impact that the Dodd-Frank Act may have on their operations. In the area of mortgage lending, for example, the Dodd-Frank Act also directs the CFPB to issue new standards for mortgage loan originators; minimum standards on mortgages themselves; limits on charges for mortgage prepayments; new disclosure requirements in connection with mortgage origination and in monthly statements; a new regime of standards and oversight for appraisers; and a significant expansion of HMDA requirements for mortgage lenders to report and publicly disclose detailed information about mortgage loans they originate. We support strong consumer protections for residential mortgages, but it is also important to recognize that the fixed costs associated with new regulatory requirements have a proportionately larger impact on community banks due to their smaller revenue base. As the OCC has previously testified, a particular concern is whether these and other forthcoming regulations combine to create a tipping point causing banks to exit lines of business that provide important diversification of their business, and increase their concentration in other activities that raise their overall risk profile.

For these reasons, we believe it is important that the OCC and other regulatory agencies seek to implement the Dodd-Frank Act in a manner that accomplishes the legislative intent without unduly harming the ability of community banks to fulfill their role of supporting local economies and providing the services their customers rely on. Over the past year, OCC has engaged in constructive dialogue with the CFPB on a range of supervisory and regulatory matters of mutual concern. As the CFPB rulemaking process moves forward, OCC will continue to participate in the consultative process to ensure that alternatives that lessen the burdens on community banks are considered.

<u>Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Brown:</u>

During the June 6th hearing, Mr. Gruenberg agreed that "historically, including to the present day, the biggest risk of banking is the lending activity that is inherent to the banking process."

In testimony before the Subcommittee on Financial Institutions and Consumer Protection on May 9th, the former Chief Economist of the Senate Committee on Banking, Housing, and Urban Affairs stated:

> "In a remarkably understated 2007 annual inspection report on Citigroup, the Federal Reserve Bank of New York observed that '[m]anagement did not properly identify and assess its subprime risk in the CDO trading books, leading to significant losses. Serious deficiencies in risk management and controls were identified in the management of Super Senior CDO positions and other subprime-related traded credit products.' By the end of 2008 Citigroup had written off $38.8 billion related to these positions and to ABS and CDO securities it held in anticipation of constructing additional CDOs."

Testimony of Marc Jarsulic, Chief Economist, Better Markets, Inc., before the Senate Committee on Banking Housing and Urban Affairs Subcommittee on Financial Institutions and Consumer Protection, "Is Simpler Better? Limiting Federal Support for Financial Institutions" 9, May 9, 2012.

According to accounts of the hearings held by the Financial Crisis Inquiry Commission, two witnesses agreed that CDOs were responsible for Citigroup's financial difficulties:

> "[Former Citigroup chief executive Charles] Prince ultimately blamed much of Citi's problems on CDOs, which he said were complex and entirely misunderstood. He said the company, its risk officers, regulators and credit rating agencies believed CDOs were low-risk activities. As it turned out, they resulted in $30 billion worth of losses...
>
> "[Former Comptroller of the Currency John] Dugan, too, put much of the blame on CDOs, partly as a way of defending his own agency. He said the bank, which the Office of the Comptroller of the Currency oversaw, did not damage the holding company, while Citi's securities broker-dealers, which managed the CDOs and were overseen by the Securities and Exchange Commission, were at fault.
>
> 'The overwhelming majority of Citi's mortgage problems did not arise from mortgages originated by Citibank,' Dugan said. 'Instead, the huge mortgage losses arose primarily from the collateralized debt obligations structured by Citigroup's securities broker-dealer with mortgages purchased from third parties.'"

Cheyenne Hopkins, *No One Was Sleeping as Citi Slipped*, AM. BANKER, Apr. 8, 2010.

Do you agree with the New York Fed, the former Comptroller of the Currency, the former Chief Economist of the Senate Banking Committee, and the former CEO of Citigroup that CDOs were a substantial cause of Citigroup's financial difficulties in 2008, resulting in significant support from the federal government, including capital injections from the Treasury Department, debt guarantees from the FDIC, and loans from the Federal Reserve?

Yes. Excessive risk-taking in sub-prime collateralized debt obligations (CDOs) was a substantial cause of Citigroup's financial difficulties in 2008.

<u>Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Chairman Johnson:</u>

1. Mr. Curry, in response to my question during the hearing about the risk management of JP Morgan Chase & Co. (JPMorgan), you stated that the Office of the Comptroller of the Currency (OCC) is reviewing "what exactly transpired with the trading operation within the CIO's office, and...looking to make sure that there were appropriate limits and controls on those activities in that area and how they compared to other areas within the organization." Two weeks later, you stated that "we do believe, as a preliminary matter, that there are apparent serious risk management weaknesses or failures at the bank. We're attempting...to continue to examine the root causes for those failures and to determine whether or not there are other weaknesses in the bank besides the CIO."

   When do you expect to complete your review? Do you have any further preliminary conclusions on your review of the bank's risk management? What gaps have you identified as supervisors? Please provide additional detail about what you meant by "serious risk management weaknesses or failures at the bank."

   Our examination process is well advanced and we expect to reach conclusions and communicate our findings to bank management before the end of the third quarter. Our work will also consider whether any additional remediation is warranted.

   At this time our preliminary conclusions regarding the weaknesses or failures that have been identified are consistent with the findings and principal conclusions of the bank's internal task force. In mid July, 2012 these determinations were publicly communicated:

   - The core issue was that CIO was not subjected to the same level of scrutiny as client facing businesses, causing a lack of effective challenge by senior management and the board.
   - CIO judgment, execution, and escalation in 1Q12 were poor.
   - The level of scrutiny did not evolve commensurate with the increasing complexity of CIO activities.
   - CIO risk management was ineffective in dealing with the synthetic credit portfolio.
   - Risk limits for CIO were not sufficiently granular.
   - Approval and implementation of CIO synthetic credit VaR model were inadequate.

   The company is implementing corrective actions. An entirely new CIO senior management group is in place and is undertaking an end-to-end review of all CIO processes and practices. Firm-wide risk management and processes are also being evaluated and new committees and processes are being put in place.

How many staff members are ordinarily involved in supervising JPMorgan, especially with regard to the company's risk management, and how many additional staff have you dedicated to this review?

The OCC's supervisory team includes approximately 65 full time onsite examiners who are responsible for reviewing nearly all facets of the bank's activities and operations, including commercial and retail credit, mortgage banking, trading and other capital markets activities, asset liability management, bank technology and other aspects of operational risk, audit and internal controls, and compliance with the Bank Secrecy Act, anti-money laundering laws, and the Community Reinvestment Act. These onsite examiners are supported by additional subject matter experts from across the OCC. All these examiners are essentially involved in supervising the risk management practices of JPMorgan as risk management systems are in place throughout the bank's operations to identify, measure, monitor, and control risk.

We have one dedicated examiner who directly oversees the CIO with support of a team of capital markets specialists representing 8 FTEs to review specific capital markets areas depending on the topic. We have added staff on assignment from our London team, our Risk Analysis Division (quantitative experts), and received assistance from our Office of Chief Accountant.

2. In testimony, you stated that "in hindsight, if the reporting were more robust or granular, we believe we may have had an inkling of the size and potential complexity and risk of the position." You also stated before this Committee, that the "concentrated nature of the trading and the illiquidity of [the trading] are red flags that are clearly apparent now."

What requirements or guidelines does the OCC have for granularity of reporting, and what does the OCC plan to require in the future as a result of these events?

We expect risk reports to accurately present the nature and level(s) of risk taken and compliance with approved limits.

What role do concentrations and liquidity of positions play in your assessment of trading risks, and how will the OCC ensure that it can capture such red flags in its supervision?

We consider both concentrations and position liquidity when we assess trading activities. We expect that risk limits and controls fully address the nature of risks being undertaken. In instances where there is limited market liquidity, or excessive concentrations, we expect limits to address the risk and that appropriate valuation adjustments are made.

3. **Please describe how the OCC works with other regulators that may be collecting information that would be helpful in identifying developing risks or problems. Does the OCC work with the Office of Financial Research, for example, in a way to maximize data collection and analysis across financial agencies in a way that will provide a stronger early warning system?**

   OCC is an active member of the Office of Financial Research (OFR) data advisory group. This group is undertaking several initiatives involving data collection involving the financial agencies. The most recent initiatives of this group are the data inventory, and the legal entity identifier projects. For the data inventory project, OFR has completed an inventory of all the financial agencies purchased data and they are working on building a portal to share this inventory with all participating agencies. OCC is also a member of the Financial Stability Oversight Council (FSOC) data subcommittee. The data subcommittee is working to develop a strategy for managing the set of data initially needed by the OFR to monitor and study the financial stability of the nation's economy.

4. You indicated that because you may not have been given adequate or accurate information by bank management, your supervisory abilities were limited, and that "quality supervision is dependent on the quality of information available to examiners."

   What is the role of institution-generated information in your agency's assessment of an institution's risk management? Please describe the process and importance of how your agency independently verifies that any information a company provides is accurate.

   The role of institution-generated information is critical in our assessment of the bank's risk profile and risk management processes. We assess management's process to develop and maintain management information systems (MIS) that will ensure information is timely, accurate, and pertinent. This assessment not only includes the processes to develop and test new MIS, but also the reliability of this information through the bank's quality assurance process at the line of business level and the independent reviews performed by the bank's risk management and audit functions. We check to confirm that the scope and frequency of these independent reviews include verification procedures for the quality of MIS. In addition, the examiners through ongoing supervision and target examinations perform transactional testing that confirms the accuracy of critical MIS relied upon by bank management and the regulators.

   You stated before this Committee that "it does not appear that the [OCC] met the heightened expectations" of "strong risk management and audit." Please explain what these heightened expectations are, and what steps you are taking to ensure the OCC meets them.

   My intent was that *the bank* did not meet the OCC's heightened expectations for strong risk management and audit functions. The OCC sets higher expectations for our large banks as part of our lessons learned from the financial crisis. I described the OCC's heightened expectations in my testimony before the U.S. Senate's Committee on Banking, Housing, and Urban Affairs on June 6, 2012, including comments on strong risk management and audit. We have communicated the importance of meeting these expectations to our large banks and their boards of directors. We are monitoring, evaluating, and discussing with bank management the bank's progress in working towards our heightened expectations. We will use our supervisory tools including informal or formal enforcement actions to ensure each large bank achieves a strong risk management and audit function.

5. At the Committee's hearing where Jamie Dimon, Chairman of the Board, President and Chief Executive Officer of JPMorgan testified, Mr. Dimon indicated that while the company has a compensation clawback policy in place, that authority has not been exercised. **For the largest national banks the OCC regulates, are you aware of any bank exercising a clawback of compensation when major mistakes are made? Is it important for Boards of Directors of national banks to utilize their clawback authority to deter other employees from making the same mistakes, and correct some of the misaligned pay incentives we saw leading up to the recent financial crisis?**

We are not aware of the use of clawbacks to date in large national banks. As conveyed in the Interagency Guidance on Sound Incentive Compensation Policies (OCC Bulletin 2010-24), the OCC believes boards of directors should use clawback authority under appropriate circumstances. JPMC notified us and subsequently has announced that it plans to clawback compensation from the individuals directly responsible for the CIO losses. The bank's investigation into the matters is ongoing and additional clawbacks may be coming. The OCC will review these decisions to ensure they are appropriate.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

August 17, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson:

Enclosed please find my responses to the questions for the record submitted following the June 6, 2012, hearing on *"Implementing Wall Street Reform: Enhancing Bank Supervision and Reducing Systemic Risk."*

I hope the information provided is helpful to the Committee. If you have questions or need additional information, please contact Carrie Moore, Director for Congressional Liaison, at 202-874-1881.

Sincerely,

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4. **If regulators are focused on regulating risk management practices, and not focused on individual trades regardless of size, would the regulators and the banking system would be safer and better off if the larger banks were required to hold more capital than regional or community banks?**

   The OCC supports both the Basel Committee's efforts to require higher capital for systemically important banks and the provisions of the Dodd-Frank Act which require enhanced prudential standards (including capital) for bank holding companies with over $50 billion in assets. Both of these initiatives will lead large banks to hold more capital than regional and community banks.

   In addition, the U.S. bank regulatory agencies recently finalized changes to capital standards that apply to banks' trading activities. These changes are consistent with changes made by the Basel Committee to reflect lessons learned during the financial crisis. These enhancements, often referred to as Basel 2.5, should improve the risk sensitivity of capital standards with respect to banks' trading exposures.

   While the changes to capital standards represent marked improvements in risk measurement and material increases in capital requirements for large banks, we do not view them as a substitute for, but rather as a complement to, strong supervision and improved bank risk management practices.

Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Ranking Member Shelby:

1. In the wake of the JPMorgan loss there has been a lot of discussion about hedging activities. Many financial institutions develop hedging strategies with interest rate and credit derivatives to hedge volatility.

    a. **What is the oversight process for banks who hedge risk and how are these hedges examined?**

    As banking is a risk-taking business, we fully expect that banks will take actions to reduce or eliminate unwanted risk exposures. Hedging actions can take place on a transaction-by-transaction basis, or on a portfolio basis. Transaction hedging is easier to define and understand as one can see the risk additive transactions being offset by risk reduction transactions.

    The concept is the same for portfolio hedging, but the measurement of the correlation between the portfolio of risk and the hedge is more difficult to document, as the hedging instrument is not always the specific offset to the underlying risk. Similar to transaction hedging, we look to understand the nature of the portfolio of risk, how its value changes with price or rate changes. We then look to see how the hedge performs in similar situations. We expect bank reports to document and support a strong negative correlation between the risk position and the hedge.

    b. **How do you determine whether a particular activity is or is not really "hedging"?**

    A hedge position must be offsetting some existing risk exposure. Bank risk reports need to identify the underlying position and document its sensitivity to price or rate movements.

2. Given the complexities identified during the hearing with determining whether or not a trade is a hedge or a proprietary trade, it appears the real issue is whether a trade threatens the safety and soundness of the bank.

    a. **How do you determine whether the trade presents risks to the safety and soundness of a bank?**

    A trade (or trading position consisting of multiple trades) would present risks to the safety and soundness of a bank if the loss exposure materially impacted the earnings and capital of the bank. We evaluate risk measures, position reports, and limits (including VAR and others established to guard against illiquid or concentrated positions) to ensure that the risk appetite is reasonable and would not pose a material threat to earnings or capital. Controls should also be in place and be tested regularly to ensure that risk-takers operate within their limits.

b. **If a trade does present such risks, what authority do you have to stop or prevent the trade from occurring?**

Through the examination process, the OCC will evaluate risk mitigation activities. In the event that we determine inappropriate risk, we will call this to management's attention and require actions to remediate our concerns.

If bank management is not sufficiently responsive, the OCC has a wide-range of supervisory tools that it can use to address an unsafe and unsound position that threatens the bank including a temporary Cease and Desist Order. A temporary Cease and Desist Order is an interim order issued by the OCC pursuant to its authority under 12 U.S.C. 1818(c) and is used to impose measures that are needed immediately pending resolution of a final Cease and Desist Order. Such orders are typically used only when immediately necessary to protect the bank against ongoing or expected harm. A Temporary Cease and Desist Order may be challenged in U.S. district court within 10 days of issuance, but is effective upon issuance and remains effective unless overturned by the court or until a final order is in place.

3. The FDIC has testified today that small bankers have told the FDIC that compliance with the escrow account requirement in Dodd-Frank could be so costly as to be prohibitive, and that they would cease originating mortgage loans for their customers.

   a. **Do you agree with the FDIC?**
   b. **What specific recommendations has the OCC given the Bureau as it develops the final rule implementing the Dodd-Frank escrow requirements?**

While we have not received direct communication from the community banks that we supervise about the potential changes to the escrow requirements, we have received anecdotal reports that indicate some community bankers have concerns about these proposed changes. We are also aware of the comment letters that the Independent Bankers Association of Texas submitted to the Federal Reserve Board and more recently, to the Consumer Financial Protection Bureau (CFPB) on this issue.

Community bankers, however, have expressed concerns to us about the overall cumulative impact that the Dodd-Frank Act may have on their operations. In the area of mortgage lending, for example, the Dodd-Frank Act also directs the CFPB to issue new standards for mortgage loan originators; minimum standards on mortgages themselves; limits on charges for mortgage prepayments; new disclosure requirements in connection with mortgage origination and in monthly statements; a new regime of standards and oversight for appraisers; and a significant expansion of HMDA requirements for mortgage lenders to report and publicly disclose detailed information about mortgage loans they originate. We support strong consumer protections for residential mortgages, but it is also important to recognize that the fixed costs associated with new regulatory requirements have a proportionately larger impact on community banks due to their smaller revenue base. As the OCC has previously testified, a particular concern is whether these and other forthcoming regulations combine to create a tipping point causing banks to exit lines of business that provide important diversification of their business, and increase their concentration in other activities that raise their overall risk profile.

For these reasons, we believe it is important that the OCC and other regulatory agencies seek to implement the Dodd-Frank Act in a manner that accomplishes the legislative intent without unduly harming the ability of community banks to fulfill their role of supporting local economies and providing the services their customers rely on. Over the past year, OCC has engaged in constructive dialogue with the CFPB on a range of supervisory and regulatory matters of mutual concern. As the CFPB rulemaking process moves forward, OCC will continue to participate in the consultative process to ensure that alternatives that lessen the burdens on community banks are considered.

Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Brown:

During the June 6th hearing, Mr. Gruenberg agreed that "historically, including to the present day, the biggest risk of banking is the lending activity that is inherent to the banking process."

In testimony before the Subcommittee on Financial Institutions and Consumer Protection on May 9th, the former Chief Economist of the Senate Committee on Banking, Housing, and Urban Affairs stated:

> "In a remarkably understated 2007 annual inspection report on Citigroup, the Federal Reserve Bank of New York observed that '[m]anagement did not properly identify and assess its subprime risk in the CDO trading books, leading to significant losses. Serious deficiencies in risk management and controls were identified in the management of Super Senior CDO positions and other subprime-related traded credit products.' By the end of 2008 Citigroup had written off $38.8 billion related to these positions and to ABS and CDO securities it held in anticipation of constructing additional CDOs."

Testimony of Marc Jarsulic, Chief Economist, Better Markets, Inc., before the Senate Committee on Banking Housing and Urban Affairs Subcommittee on Financial Institutions and Consumer Protection, "Is Simpler Better? Limiting Federal Support for Financial Institutions" 9, May 9, 2012.

According to accounts of the hearings held by the Financial Crisis Inquiry Commission, two witnesses agreed that CDOs were responsible for Citigroup's financial difficulties:

> "[Former Citigroup chief executive Charles] Prince ultimately blamed much of Citi's problems on CDOs, which he said were complex and entirely misunderstood. He said the company, its risk officers, regulators and credit rating agencies believed CDOs were low-risk activities. As it turned out, they resulted in $30 billion worth of losses...
>
> "[Former Comptroller of the Currency John] Dugan, too, put much of the blame on CDOs, partly as a way of defending his own agency. He said the bank, which the Office of the Comptroller of the Currency oversaw, did not damage the holding company, while Citi's securities broker-dealers, which managed the CDOs and were overseen by the Securities and Exchange Commission, were at fault.
>
> 'The overwhelming majority of Citi's mortgage problems did not arise from mortgages originated by Citibank,' Dugan said. 'Instead, the huge mortgage losses arose primarily from the collateralized debt obligations structured by Citigroup's securities broker-dealer with mortgages purchased from third parties.'"

Cheyenne Hopkins, *No One Was Sleeping as Citi Slipped*, AM. BANKER, Apr. 8, 2010.

Do you agree with the New York Fed, the former Comptroller of the Currency, the former Chief Economist of the Senate Banking Committee, and the former CEO of Citigroup that CDOs were a substantial cause of Citigroup's financial difficulties in 2008, resulting in significant support from the federal government, including capital injections from the Treasury Department, debt guarantees from the FDIC, and loans from the Federal Reserve?

Yes. Excessive risk-taking in sub-prime collateralized debt obligations (CDOs) was a substantial cause of Citigroup's financial difficulties in 2008.

<u>Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Chairman Johnson:</u>

1. Mr. Curry, in response to my question during the hearing about the risk management of JP Morgan Chase & Co. (JPMorgan), you stated that the Office of the Comptroller of the Currency (OCC) is reviewing "what exactly transpired with the trading operation within the CIO's office, and...looking to make sure that there were appropriate limits and controls on those activities in that area and how they compared to other areas within the organization." Two weeks later, you stated that "we do believe, as a preliminary matter, that there are apparent serious risk management weaknesses or failures at the bank. We're attempting...to continue to examine the root causes for those failures and to determine whether or not there are other weaknesses in the bank besides the CIO."

   When do you expect to complete your review? Do you have any further preliminary conclusions on your review of the bank's risk management? What gaps have you identified as supervisors? Please provide additional detail about what you meant by "serious risk management weaknesses or failures at the bank."

   Our examination process is well advanced and we expect to reach conclusions and communicate our findings to bank management before the end of the third quarter. Our work will also consider whether any additional remediation is warranted.

   At this time our preliminary conclusions regarding the weaknesses or failures that have been identified are consistent with the findings and principal conclusions of the bank's internal task force. In mid July, 2012 these determinations were publicly communicated:

   - The core issue was that CIO was not subjected to the same level of scrutiny as client facing businesses, causing a lack of effective challenge by senior management and the board.
   - CIO judgment, execution, and escalation in 1Q12 were poor.
   - The level of scrutiny did not evolve commensurate with the increasing complexity of CIO activities.
   - CIO risk management was ineffective in dealing with the synthetic credit portfolio.
   - Risk limits for CIO were not sufficiently granular.
   - Approval and implementation of CIO synthetic credit VaR model were inadequate.

   The company is implementing corrective actions. An entirely new CIO senior management group is in place and is undertaking an end-to-end review of all CIO processes and practices. Firm-wide risk management and processes are also being evaluated and new committees and processes are being put in place.

How many staff members are ordinarily involved in supervising JPMorgan, especially with regard to the company's risk management, and how many additional staff have you dedicated to this review?

The OCC's supervisory team includes approximately 65 full time onsite examiners who are responsible for reviewing nearly all facets of the bank's activities and operations, including commercial and retail credit, mortgage banking, trading and other capital markets activities, asset liability management, bank technology and other aspects of operational risk, audit and internal controls, and compliance with the Bank Secrecy Act, anti-money laundering laws, and the Community Reinvestment Act. These onsite examiners are supported by additional subject matter experts from across the OCC. All these examiners are essentially involved in supervising the risk management practices of JPMorgan as risk management systems are in place throughout the bank's operations to identify, measure, monitor, and control risk.

We have one dedicated examiner who directly oversees the CIO with support of a team of capital markets specialists representing 8 FTEs to review specific capital markets areas depending on the topic. We have added staff on assignment from our London team, our Risk Analysis Division (quantitative experts), and received assistance from our Office of Chief Accountant.

2. In testimony, you stated that "in hindsight, if the reporting were more robust or granular, we believe we may have had an inkling of the size and potential complexity and risk of the position." You also stated before this Committee, that the "concentrated nature of the trading and the illiquidity of [the trading] are red flags that are clearly apparent now."

What requirements or guidelines does the OCC have for granularity of reporting, and what does the OCC plan to require in the future as a result of these events?

We expect risk reports to accurately present the nature and level(s) of risk taken and compliance with approved limits.

What role do concentrations and liquidity of positions play in your assessment of trading risks, and how will the OCC ensure that it can capture such red flags in its supervision?

We consider both concentrations and position liquidity when we assess trading activities. We expect that risk limits and controls fully address the nature of risks being undertaken. In instances where there is limited market liquidity, or excessive concentrations, we expect limits to address the risk and that appropriate valuation adjustments are made.

3. **Please describe how the OCC works with other regulators that may be collecting information that would be helpful in identifying developing risks or problems. Does the OCC work with the Office of Financial Research, for example, in a way to maximize data collection and analysis across financial agencies in a way that will provide a stronger early warning system?**

   OCC is an active member of the Office of Financial Research (OFR) data advisory group. This group is undertaking several initiatives involving data collection involving the financial agencies. The most recent initiatives of this group are the data inventory, and the legal entity identifier projects. For the data inventory project, OFR has completed an inventory of all the financial agencies purchased data and they are working on building a portal to share this inventory with all participating agencies. OCC is also a member of the Financial Stability Oversight Council (FSOC) data subcommittee. The data subcommittee is working to develop a strategy for managing the set of data initially needed by the OFR to monitor and study the financial stability of the nation's economy.

4. You indicated that because you may not have been given adequate or accurate information by bank management, your supervisory abilities were limited, and that "quality supervision is dependent on the quality of information available to examiners."

   What is the role of institution-generated information in your agency's assessment of an institution's risk management? Please describe the process and importance of how your agency independently verifies that any information a company provides is accurate.

   The role of institution-generated information is critical in our assessment of the bank's risk profile and risk management processes. We assess management's process to develop and maintain management information systems (MIS) that will ensure information is timely, accurate, and pertinent. This assessment not only includes the processes to develop and test new MIS, but also the reliability of this information through the bank's quality assurance process at the line of business level and the independent reviews performed by the bank's risk management and audit functions. We check to confirm that the scope and frequency of these independent reviews include verification procedures for the quality of MIS. In addition, the examiners through ongoing supervision and target examinations perform transactional testing that confirms the accuracy of critical MIS relied upon by bank management and the regulators.

   You stated before this Committee that "it does not appear that the [OCC] met the heightened expectations" of "strong risk management and audit." Please explain what these heightened expectations are, and what steps you are taking to ensure the OCC meets them.

   My intent was that *the bank* did not meet the OCC's heightened expectations for strong risk management and audit functions. The OCC sets higher expectations for our large banks as part of our lessons learned from the financial crisis. I described the OCC's heightened expectations in my testimony before the U.S. Senate's Committee on Banking, Housing, and Urban Affairs on June 6, 2012, including comments on strong risk management and audit. We have communicated the importance of meeting these expectations to our large banks and their boards of directors. We are monitoring, evaluating, and discussing with bank management the bank's progress in working towards our heightened expectations. We will use our supervisory tools including informal or formal enforcement actions to ensure each large bank achieves a strong risk management and audit function.

5. At the Committee's hearing where Jamie Dimon, Chairman of the Board, President and Chief Executive Officer of JPMorgan testified, Mr. Dimon indicated that while the company has a compensation clawback policy in place, that authority has not been exercised. **For the largest national banks the OCC regulates, are you aware of any bank exercising a clawback of compensation when major mistakes are made? Is it important for Boards of Directors of national banks to utilize their clawback authority to deter other employees from making the same mistakes, and correct some of the misaligned pay incentives we saw leading up to the recent financial crisis?**

   We are not aware of the use of clawbacks to date in large national banks. As conveyed in the Interagency Guidance on Sound Incentive Compensation Policies (OCC Bulletin 2010-24), the OCC believes boards of directors should use clawback authority under appropriate circumstances. JPMC notified us and subsequently has announced that it plans to clawback compensation from the individuals directly responsible for the CIO losses. The bank's investigation into the matters is ongoing and additional clawbacks may be coming. The OCC will review these decisions to ensure they are appropriate.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

September 20, 2012

The Honorable Tim Johnson
Chairman
United States Senate Committee on Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

I am pleased to confirm that I have given my approval to extend the detail of Jeanette L. Quick, Attorney, Legislative and Regulatory Activities Division of the Office of the Comptroller of the Currency (OCC), to the Senate Banking Committee from September 26, 2012, until December 31, 2012. She will return to her current position at the OCC at the conclusion of the detail.

I understand that Ms. Quick will continue to assist Committee staff with banking issues and issues regarding the reform of the financial regulatory system under the jurisdiction of the Committee. She has agreed to continue to comply with the Senate Code of Official Conduct and all other relevant ethics requirements. Ms. Quick is currently compensated by the OCC with an approximate annual salary of $(b)(6) She will continue to receive compensation and benefits from the OCC during her detail with the Senate.

If you, or a member of your staff, have any questions regarding the terms of Ms. Quick's detail, please contact Helen Onufrak, Senior Analyst, Office of the Chief Counsel, at (202) 874-5200.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

cc: Charles Yi, Chief Counsel and Deputy Staff Director

Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

OCC Mortgage Metrics Report

Disclosure of National Bank and Federal Savings Association Mortgage Loan Data

Second Quarter 2012

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

September 2012

Contents

Executive Summary

This *OCC Mortgage Metrics Report* for the second quarter of 2012 provides performance data on first-lien residential mortgages serviced by selected national and federal savings banks. The mortgages in this portfolio comprise 60 percent of all mortgages outstanding in the United States—30.5 million loans totaling $5.2 trillion in principal balances. This report provides information on their performance through June 30, 2012.

The overall quality of the portfolio of serviced mortgages included in this report improved from the same period a year ago but showed seasonal decline from the previous quarter. The percentage of mortgages that were current and performing at the end of the quarter was 88.7 percent, compared with 88.9 percent the previous quarter and 88.1 percent a year earlier. The percentage of mortgages that were 30 to 59 days past due was 2.8 percent, up 12.1 percent from the previous quarter but down 7.5 percent from a year ago. The percentage of mortgages that were seriously delinquent—60 or more days past due or held by bankrupt borrowers whose payments were 30 or more days past due—was 4.4 percent, down 0.8 percent from the previous quarter and 9.2 percent from a year earlier. Several factors contribute to the year-over-year improvement, including strengthening economic conditions, servicing transfers, and the ongoing effects of both home retention loan modification programs and home forfeiture actions.

While foreclosure activity remains high, the number of foreclosures in process decreased 6.2 percent from a year earlier, falling to 1,237,025 at the end of the second quarter of 2012. This decline reflects the effects of successful home retention actions as well as home forfeitures. The number of newly initiated foreclosures increased to 302,636 during the second quarter of 2012, up 5.4 percent from the same period a year ago. The number of completed foreclosures decreased 16.1 percent from a year ago to 101,735. While the number of newly initiated foreclosures has increased, the decline in completed foreclosures is attributable to servicers holding loans in the foreclosure process for longer periods of time in an effort to accomplish alternate loss mitigation or home forfeiture actions.

Servicers continued to emphasize alternatives to foreclosure during the quarter. Servicers implemented 416,036 new home retention actions during the quarter, while starting 302,636 new foreclosures. The number of home retention actions implemented by servicers increased 17.9 percent from the previous quarter but decreased 8.8 percent from a year earlier.

Mortgage Performance

- The overall percentage of mortgages in this report that were current and performing decreased to 88.7 percent at the end of the second quarter of 2012 (see table 7).
- The percentage of mortgages that were 30 to 59 days delinquent at the end of the second quarter increased by 12.1 percent from the previous quarter but decreased by 7.5 percent from a year earlier (see table 7).
- The percentage of mortgages that were seriously delinquent at the end of the quarter was 4.4 percent—down 0.8 percent from the previous quarter and 9.2 percent from a year earlier (see table 7).

- The quality of serviced government-guaranteed mortgages declined during the quarter. The percentage of these mortgages that were current and performing decreased to 84.9 percent from 85.9 percent in the previous quarter. The percentage of these mortgages that were current and performing a year earlier was 85.7 percent (see table 9).
- Mortgages serviced for Fannie Mae and Freddie Mac (government-sponsored enterprises or GSE) made up the majority—59 percent—of the mortgages in this report. The percentage of these mortgages that were current and performing has remained relatively constant over the last year. The percentageof these mortgages that were current and perfoming remained the same as the previous quarter at 93.7 percent (see table 10).

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

- Servicers implemented 416,036 home retention actions—modifications, trial-period plans, and payment plans—during the second quarter of 2012 (see table 1). This was nearly two and a half times the number of completed foreclosures, short sales, and deed-in-lieu-of-foreclosure actions in the quarter (see table 5). The number of new home retention actions increased by 17.9 percent from the previous quarter and decreased 8.8 percent from a year earlier.
- New home retention actions included 92,214 modifications, 203,972 trial-period plans, and 119,850 payment plans during the quarter. Home Affordable Modification Program (HAMP) modifications decreased 24.3 percent from the previous quarter to 28,279 and 59.6 percent from a year earlier. Other modifications decreased by 1.3 percent to 63,935 during the quarter and decreased by 20.5 percent from a year earlier. HAMP trial-period plans decreased by 4.1 percent from the previous quarter and 42.4 percent from the previous year. Other trial-period plans increased by 74.2 percent from the previous quarter and 50.1 percent from a year earlier.[1] During the past five quarters, servicers initiated more than 2.1 million home retention actions (see table 1) and more than 2.6 million modifications since 2008 (see table 2).

Table 1. Number of New Home Retention Actions

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Other Modifications	80,397	83,596	73,875	64,782	63,935	-1.3%	-20.5%
HAMP Modifications	70,071	53,941	42,275	37,375	28,279	-24.3%	-59.6%
Other Trial-Period Plans	118,928	127,545	182,856	102,486	178,528	74.2%	50.1%
HAMP Trial-Period Plans	44,148	29,338	27,323	26,530	25,444	-4.1%	-42.4%
Payment Plans	142,678	164,568	133,881	121,815	119,850	-1.6%	-16.0%
Total	456,222	458,988	460,210	352,986	416,036	17.9%	-8.8%

[1] The number of trial-period plans has been volatile over the last three quarters due to program changes that converted a significant number of borrowers between payment and trial-period plans and shifted the initiation of trial-period plans between reporting periods.

- Servicers reduced interest rates in 82.5 percent of all modifications made during the second quarter of 2012. Term extensions were used in 64.8 percent of modifications, principal deferrals in 20.7 percent, and principal reductions in 11.4 percent (see table 17). Among HAMP modifications, servicers reduced interest rates in 87.5 percent of those modifications, deferred principal in 30.4 percent, and reduced principal in 21.1 percent (see table 18).
- Servicers reduced monthly principal and interest payments in 90.4 percent of modifications made in the quarter (see table 22). Servicers reduced monthly payments by an average of 24.6 percent for all borrowers who qualified for modifications, with an average decrease of $381. HAMP modifications reduced payments by an average of $576, or 35.3 percent, and other modifications reduced monthly payments by $295, or 19.9 percent (see table 24).

Modified Loan Performance

- Servicers modified 2,645,290 mortgages from the beginning of 2008 through the end of the first quarter of 2012. At the end of the second quarter of 2012, 48.6 percent of these modifications were current or paid off. Another 7.6 percent were 30 to 59 days delinquent, and 14.9 percent were seriously delinquent. Another 10.5 percent were in the process of foreclosure, and 6.5 percent had completed the foreclosure process. More recent modifications that emphasized reduced payments, affordability and sustainability have outperformed modifications implemented in earlier periods (see table 2).

Table 2. **Status of Mortgages Modified in 2008–1Q 2012**

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	445,354	24.0%	5.4%	15.0%	15.2%	14.8%	3.5%	22.1%
2009	594,350	36.3%	7.0%	16.9%	13.5%	8.5%	2.3%	14.5%
2010	939,364	50.4%	7.9%	14.7%	9.8%	4.6%	1.1%	11.5%
2011	564,065	64.9%	9.1%	14.4%	6.6%	1.1%	0.5%	3.5%
2012	102,157	79.1%	9.1%	8.8%	1.3%	0.1%	0.1%	1.6%
Total	2,645,290	47.0%	7.6%	14.9%	10.5%	6.5%	1.6%	11.9%
HAMP Modification Performance Compared With Other Modifications**								
Other Modifications	1,259,224	50.7%	8.9%	17.2%	9.8%	4.7%	1.2%	7.5%
HAMP Modifications	603,128	64.6%	6.9%	9.1%	6.1%	2.2%	0.6%	10.3%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,591,822	55.4%	7.6%	12.5%	8.1%	4.1%	1.0%	11.3%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	1,053,468	34.3%	7.4%	18.7%	14.2%	10.1%	2.4%	12.8%

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

**Modifications used to compare with HAMP modifications only include modifications implemented from the third quarter of 2009 through the first quarter of 2012.

- HAMP modifications have performed better than other modifications. Of the 603,126 HAMP modifications implemented since the third quarter of 2009, 64.8 percent remained current, compared with 50.7 percent of other modifications implemented during the same period (see table 2). HAMP modifications perform better largely because of the emphasis on reduced monthly payments, affordability relative to borrower income, required income verification, and successfully completing a required trial period.
- Modifications that reduced borrower monthly payments by 10 percent or more performed better than those that reduced payments by less than 10 percent—the greater the payment decrease, the better the subsequent performance. At the end of the second quarter of 2012, 55.4 percent of modifications that reduced payments by 10 percent or more were current and performing, compared with 34.3 percent of those that reduced payments by less (see table 2).
- Modifications on mortgages held in the servicers' own portfolios and those serviced for the GSEs performed better than modifications on mortgages serviced for others. Of the modifications implemented from January 1, 2008, through June 30, 2011 that were in effect at least one year, 22.9 percent of modifications on mortgages held in the servicers' own portfolios, 26.1 percent of Fannie Mae mortgages, and 25.6 percent of Freddie Mac mortgages were 60 or more days delinquent after 12 months. Conversely, 47.9 percent of government-guaranteed mortgages and 44.4 percent of private investor-held loans were 60 or more days delinquent after 12 months. This variance may reflect differences in the characteristics of the loans and the modification programs as well as the servicers' additional flexibility when modifying mortgages they owned (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	11.2%	17.8%	22.7%	26.1%
Freddie Mac	12.1%	18.1%	22.5%	25.6%
Government-Guaranteed	16.8%	33.8%	43.3%	47.9%
Private	22.8%	32.8%	39.6%	44.4%
Portfolio Loans	7.8%	14.6%	19.4%	22.9%
Overall	15.3%	24.8%	31.1%	35.2%

*Data include all modifications made since January 1, 2008 that have aged the indicated number of months.

Foreclosures and Other Home Forfeiture Actions

- Newly initiated foreclosures increased 5.5 percent from the previous quarter and 5.4 percent from a year earlier. The number of foreclosures in process decreased 2.6 percent from the previous quarter and 6.2 percent from a year earlier (see table 4), reflecting both the continued emphasis on loss mitigation actions as well as home forfeitures.

Table 4. New Foreclosures and Foreclosures in Process

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Newly Initiated Foreclosures	287,173	347,728	292,173	286,951	302,636	5.5%	5.4%
Foreclosures in Process	1,319,281	1,326,019	1,262,294	1,269,921	1,237,025	-2.6%	-6.2%

- Home forfeiture actions totaled 167,474 at the end of the quarter, a decrease of 9.9 percent from the previous quarter and 7.1 percent from a year earlier. Completed foreclosures decreased by 17.3 percent from the previous quarter and 16.1 percent from a year earlier. Short sales increased by 5.7 percent from the previous quarter and 12.4 percent from a year earlier. Short sales comprise more than one-third of home forfeiture actions (see table 5).

Table 5. **Completed Foreclosures and Other Home Forfeiture Actions**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Completed Foreclosures	121,237	113,294	116,159	122,979	101,735	-17.3%	-16.1%
New Short Sales	56,407	57,479	63,257	59,996	63,403	5.7%	12.4%
New Deed-in-Lieu-of-Foreclosure Actions	2,558	2,623	2,939	2,806	2,336	-16.7%	-8.7%
Total	180,202	173,396	182,355	185,781	167,474	-9.9%	-7.1%

About Mortgage Metrics

The *OCC Mortgage Metrics Report* presents data on first-lien residential mortgages serviced by eight national banks and a federal savings association with the largest mortgage-servicing portfolios.[2] The data represent 60 percent of all first-lien residential mortgages outstanding in the country and focuses on credit performance, loss mitigation efforts, and foreclosures. More than 92 percent of the mortgages in the portfolio were serviced for investors other than the reporting institutions. At the end of June 2012, the reporting institutions serviced 30.5 million first-lien mortgage loans, totaling $5.2 trillion in unpaid balances (see table 6).

Although the loans reflected in this report represent a large percentage of the overall mortgage industry, they do not represent a statistically random sample of all mortgage loans. The characteristics of these loans may differ from the overall population of mortgages. This report does not attempt to quantify or adjust for known seasonal effects that occur within the mortgage industry.

In addition to providing information to the public, the report and its data support the supervision of national bank and federal savings association mortgage-servicing practices. Examiners use the data to help assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and necessary loan-loss reserves, and assess 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 and the participating institutions devote significant resources to ensuring that the information is reliable and accurate. Steps to ensure the validity of the data include quality assurance processes conducted by the banks and savings association, comprehensive data validation tests performed by a third-party data aggregator, and comparisons with the institutions' quarterly call and thrift financial reports. Data sets of this size and scope inevitably incur some degree of missing or inconsistent data and other imperfections. The OCC requires servicers to adjust previous data submissions when errors and omissions are detected. In some cases, data presented in this report reflect resubmissions from institutions that restate and correct earlier information.

The report also includes mortgage modification data by state and territories in appendix E. These data fulfill reporting requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Public Law 111-203).

Definitions and Method

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

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[2] The eight national banks are Bank of America, JPMorgan Chase, Citibank, HSBC, MetLife, PNC, U.S. Bank, and Wells Fargo. The federal savings association is OneWest Bank.

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

Approximately 10 percent of mortgages in the portfolio were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime mortgages. In large part, the lack of credit scores results from acquisitions of portfolios from third parties for which borrower credit scores at origination were not available.

Additional definitions include:

- **Completed foreclosures**—Ownership of properties transferred to servicers or investors. The ultimate result is the loss of borrowers' homes because of nonpayment.
- **Deed-in-lieu-of-foreclosure actions**—Actions in which borrowers transfer ownership of the properties (deeds) to servicers in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on borrowers' credit records. Deed-in-lieu-of-foreclosure actions typically have a less adverse impact than foreclosures on borrowers' credit records.
- **Foreclosures in process**—Number of mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the foreclosure process. 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 return their mortgages to current and performing status.
- **Government-guaranteed mortgages**—All mortgages with an explicit guaranty from the U.S. government, including the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and, to a lesser extent, certain other departments. These loans may be held in pools backing Government National Mortgage Association (Ginnie Mae) securities, owned by or securitized through different third-party investors, or held in the portfolios of reporting institutions.
- **Home retention actions**—Loan modifications, trial-period plans, and payment plans that allow borrowers to retain ownership and occupancy of their homes while attempting to return the loans to a current and performing status.
- **Loan modifications**—Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Newly initiated foreclosures**—Mortgages for which the servicers initiate formal foreclosure proceedings during the quarter. 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 in order to return mortgages to a current and performing status.
- **Payment-option, adjustable rate mortgages (ARM)**—Mortgages that allow borrowers to choose a monthly payment that may initially reduce principal, pay interest only, or result in

negative amortization, when some amount of unpaid interest is added to the principal balance of the loan and results in an increased balance.

- **Principal deferral modifications**—Modifications that remove a portion of the principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications**—Modifications that permanently forgive a portion of the principal amount owed on a mortgage.
- **Re-default rates**—Percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As measures of delinquency, this report presents re-default rates using 30, 60, and 90 or more days delinquent and in process of foreclosure. It focuses on the 60-day-delinquent measure. All re-default data presented in this report are based on modified loans in effect for the specified amount of time after the modification. All loans that have been repaid in full, been refinanced, been sold, or completed the foreclosure process are removed from the calculation. Data include only modifications that have had time to age the indicated number of months following the modification.
- **Seriously delinquent loans**—Mortgages that are 60 or more days past due, and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **Short sales**—Sales of the mortgaged properties at prices that net less than the total amount due on the mortgages. Servicers and borrowers negotiate repayment programs, forbearance, or forgiveness for any remaining deficiency on the debt. Short sales typically have a less adverse impact than foreclosures 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 permanent 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 has not been made by the due date of the following scheduled payment.. The statistics and calculated ratios are based on the number of loans rather than on the dollar amount outstanding.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, which is rounded to two decimal places. The report uses whole numbers when approximating. Values in tables may not total 100 percent because of rounding.

In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 6/30/12), quarter-to-quarter changes are shown under the column "1Q %Change" column, and year-to-year changes are shown under the column "1Y %Change" column.

In tables throughout this report, percentages shown under "1Q %Change" and "1Y %Change" are calculated using actual data, not the rounded values reported for each quarter. Calculating period-to-period changes from the rounded values reported in the tables may yield materially different values than those values indicated in the table.

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

PART I: Mortgage Performance

Part I describes the performance of the overall mortgage portfolio, mortgages owned and held by the reporting banks and savings association, government-guaranteed mortgages, mortgages serviced for the GSEs, and mortgages within each risk category.

Overall Mortgage Portfolio

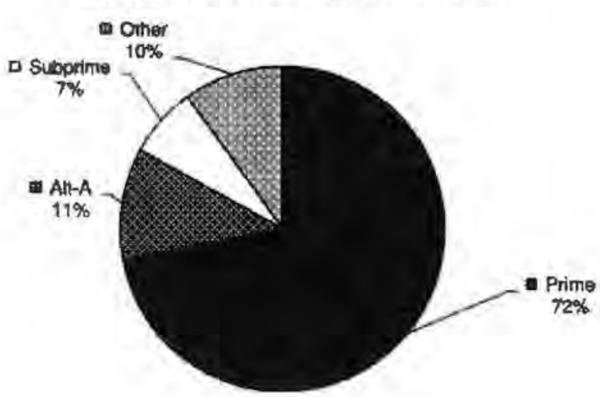
At the end of the second quarter of 2012, the servicing portfolio included 30.5 million loans with \$5.2 trillion in unpaid principal balances (see table 6). Prime loans were 72 percent of the servicing portfolio at quarter end. Subprime loans were 7 percent, and Alt-A loans were 11 percent of the portfolio at the end of the quarter. Other loans were 10 percent of the portfolio at the end of the quarter.

Table 6. **Overall Mortgage Portfolio**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12
Total Servicing (Millions)	\$5,682,951	\$5,598,366	\$5,415,566	\$5,332,795	\$5,222,349
Total Servicing (Number of Loans)	32,769,738	32,434,997	31,381,140	31,026,381	30,494,357
Composition (Percentage of All Mortgages in the Portfolio)					
Prime	70%	70%	71%	71%	72%
Alt-A	11%	11%	11%	11%	11%
Subprime	8%	7%	7%	7%	7%
Other	12%	12%	11%	11%	10%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,904,910	22,765,207	22,311,549	22,142,982	21,878,183
Alt-A	3,522,896	3,499,907	3,388,098	3,359,124	3,306,092
Subprime	2,476,801	2,426,056	2,307,692	2,260,455	2,182,847
Other	3,865,131	3,743,827	3,378,801	3,263,820	3,127,235

Figure 1. **Portfolio Composition**

Percentage of All Mortgage Loans in the Portfolio



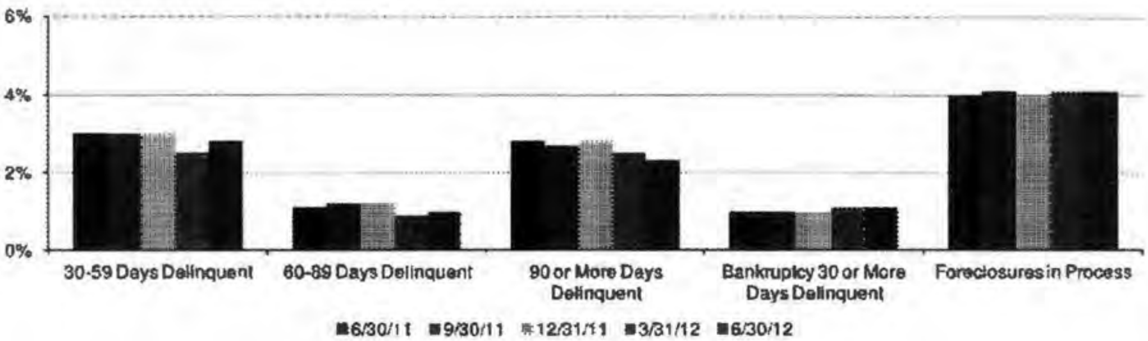
Overall Mortgage Performance

The overall performance of the portfolio of mortgages serviced by the reporting banks and federal savings association deteriorated slightly from last quarter but improved from a year earlier. The percentage of mortgages that were current and performing at the end of the quarter was 88.7 percent, compared with 88.9 percent in the previous quarter and 88.1 percent a year earlier (see table 7). The percentage of mortgages that were 30 to 59 days past due was 2.8 percent, showing a seasonal increase of 12.1 percent from the previous quarter but decreasing 7.5 percent from a year earlier. Seriously delinquent loans fell to 4.4 percent of the portfolio, their lowest level in three years. The percentage of mortgages that were in the foreclosure process at the end of the quarter decreased by 0.9 percent to 4.1 percent of the portfolio, but up 0.8 percent from a year earlier. The number of mortgages in the process of foreclosure decreased 2.6 percent from the previous quarter and 6.2 percent from a year earlier. The performance reflected in this report may not be generalized to the overall population of mortgages in the United States.

Table 7. Overall Portfolio Performance

(Percentage of Mortgages in the Portfolio)	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Current and Performing	88.1%	88.0%	88.0%	88.9%	88.7%	-0.3%	0.7%
30–59 Days Delinquent	3.0%	3.0%	3.0%	2.5%	2.8%	12.1%	-7.5%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.1%	1.2%	1.2%	0.9%	1.0%	7.4%	-11.0%
90 or More Days Delinquent	2.8%	2.7%	2.8%	2.5%	2.3%	-5.2%	-16.4%
Bankruptcy 30 or More Days Delinquent	1.0%	1.0%	1.0%	1.1%	1.1%	1.9%	13.8%
Subtotal for Seriously Delinquent	4.9%	4.9%	5.0%	4.5%	4.4%	-0.8%	-9.2%
Foreclosures in Process	4.0%	4.1%	4.0%	4.1%	4.1%	-0.9%	0.8%
(Number of Mortgages in the Portfolio)							
Current and Performing	28,853,846	28,550,780	27,600,497	27,589,940	27,046,778	-2.0%	-6.3%
30–59 Days Delinquent	996,868	972,727	952,719	779,022	858,330	10.2%	-13.9%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	371,754	384,686	371,164	291,663	307,759	5.5%	-17.2%
90 or More Days Delinquent	910,842	876,961	867,508	760,736	708,741	-6.8%	-22.2%
Bankruptcy 30 or More Days Delinquent	317,147	323,844	326,958	335,099	335,724	0.2%	5.9%
Subtotal for Seriously Delinquent	1,599,743	1,585,471	1,565,630	1,387,498	1,352,224	-2.5%	-15.5%
Foreclosures in Process	1,319,281	1,326,019	1,262,294	1,269,921	1,237,025	-2.6%	-6.2%
Total	32,769,738	32,434,987	31,361,140	31,026,381	30,494,357	-1.7%	-6.9%

Figure 2. **Overall Portfolio Performance**



Performance of Mortgages Held by Reporting Banks and Thrift

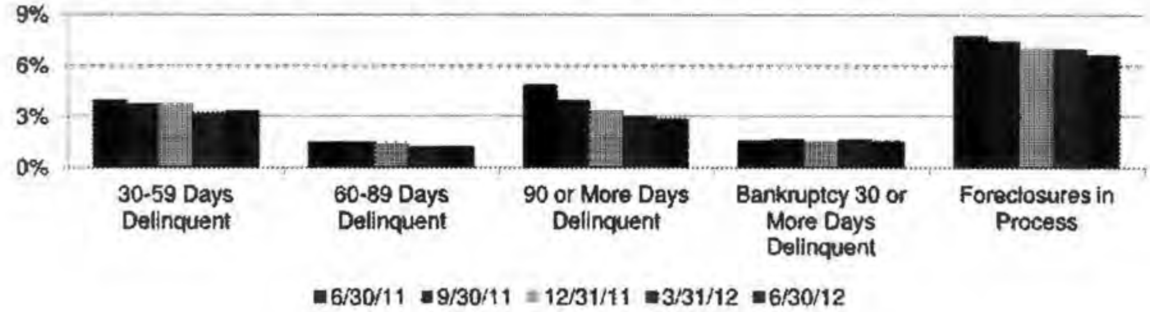
The nine reporting institutions held 7.8 percent of the 30.5 million mortgages included in this report. This does not include government-guaranteed mortgages that may be held in bank and reporting servicer-owned portfolios. The remaining mortgages were serviced for others. The performance of mortgages held by the reporting institutions improved from the previous quarter and a year earlier (see table 8). The percentage of these mortgages that were current at the end of the quarter was 84.0 percent, an increase from 83.5 percent the previous quarter and 80.3 percent a year earlier. The percentage of these mortgages that were 30 to 59 days delinquent at the end of the quarter was 3.4 percent, a 3.7 percent increase from the previous quarter but a 13.1 percent decrease from a year earlier. The percentage of these mortgages that were seriously delinquent at quarter end was 5.9 percent, a 2.9 percent decrease from the previous quarter and 26.7 percent decrease from a year earlier. The percentage of these mortgages in the process of foreclosure was 6.7 percent, a 5.9 percent decrease from the previous quarter and 13.4 percent decrease from a year earlier. Since the first quarter of 2009, mortgages held in the servicers' portfolios have performed worse than mortgages serviced for GSEs and government-guaranteed mortgages, because of concentrations of loans in alternative product structures and weaker geographic markets and, more recently, delinquent loans repurchased from investors.

Table 8. Performance of Mortgages Held by Reporting Banks and Thrift (Percentage)*

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Current and Performing	80.3%	81.4%	82.6%	83.5%	84.0%	0.6%	4.6%
30–59 Days Delinquent	4.0%	3.8%	3.8%	3.3%	3.4%	3.7%	-13.1%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.5%	1.5%	1.5%	1.3%	1.3%	1.6%	-14.6%
90 or More Days Delinquent	4.9%	4.0%	3.4%	3.1%	2.9%	-4.6%	-39.8%
Bankruptcy 30 or More Days Delinquent	1.6%	1.7%	1.6%	1.7%	1.6%	-3.4%	0.7%
Subtotal for Seriously Delinquent	**8.0%**	**7.2%**	**6.5%**	**6.0%**	**5.9%**	**-2.9%**	**-26.7%**
Foreclosures in Process	7.8%	7.5%	7.1%	7.1%	6.7%	-5.9%	-13.4%
Performance of Mortgages Held by Reporting Banks and Thrift (Number)							
Current and Performing	1,870,675	1,909,516	1,971,565	1,938,500	2,008,711	3.6%	7.4%
30–59 Days Delinquent	92,252	90,050	90,346	76,967	82,270	6.9%	-10.8%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	35,294	35,675	35,636	29,561	30,957	4.7%	-12.3%
90 or More Days Delinquent	113,134	94,524	80,609	71,355	70,144	-1.7%	-38.0%
Bankruptcy 30 or More Days Delinquent	37,712	38,799	39,148	39,150	38,968	-0.5%	3.3%
Subtotal for Seriously Delinquent	**186,140**	**168,998**	**155,393**	**140,066**	**140,069**	**0.0%**	**-24.8%**
Foreclosures in Process	180,549	175,969	169,064	165,679	160,595	-3.1%	-11.1%
Total	**2,329,616**	**2,344,533**	**2,386,358**	**2,321,212**	**2,391,645**	**3.0%**	**2.7%**

*The data in this table exclude government-guaranteed mortgages owned and held by the reporting institutions.

Figure 3. **Performance of Mortgages Held by Reporting Banks and Thrift**

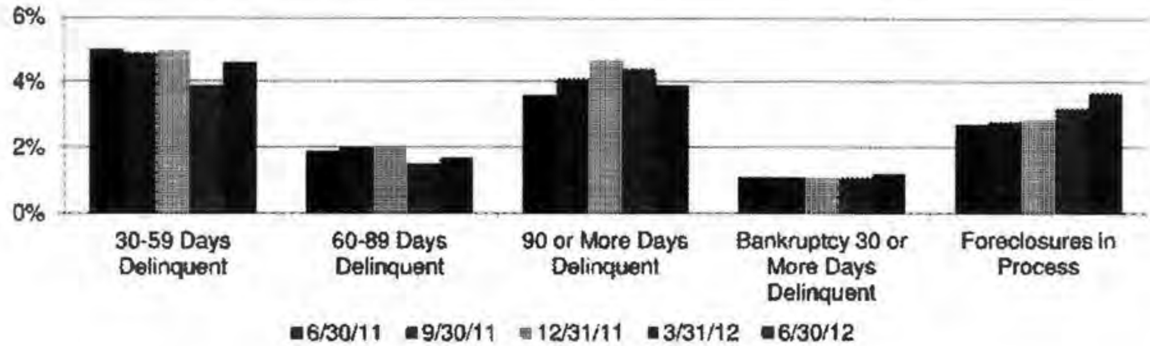


Performance of Government-Guaranteed Mortgages

Government-guaranteed mortgages were 22.9 percent of the mortgages in this report at the end of the quarter, compared with 20.7 percent a year earlier. The percentage of government-guaranteed mortgages that were current and performing decreased from the previous quarter and the previous year (see table 9). The percentage of these loans that were current and performing at the end of the quarter was 84.9 percent, down from 85.9 percent at the end of the previous quarter and 85.7 percent a year earlier. The percentage of these loans that were 30 to 59 days delinquent was 4.6 percent at the end of the quarter, a 17.0 percent increase from the previous quarter but an 8.1 percent decrease from a year earlier. The percentage of these loans that were seriously delinquent was 6.8 percent at the end of the quarter, a 3.2 percent decrease from the previous quarter but a 3.5 percent increase from a year earlier. The percentage of these loans in the process of foreclosure at the end of the quarter was 3.7 percent, an increase of 15.5 percent from the previous quarter and 36.2 percent from a year earlier. More than 79 percent of these loans were FHA loans, 15 percent were VA loans, and 6 percent were other government-guaranteed mortgages. Almost 86 percent of the government-guaranteed mortgages were in pools of loans backing Ginnie Mae securities.

Table 9. Performance of Government-Guaranteed Mortgages (Percentage)							
	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Current and Performing	85.7%	85.2%	84.2%	85.9%	84.9%	-1.1%	-1.0%
30–59 Days Delinquent	5.0%	4.9%	5.0%	3.9%	4.6%	17.0%	-8.1%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.9%	2.0%	2.0%	1.5%	1.7%	13.0%	-10.3%
90 or More Days Delinquent	3.6%	4.1%	4.7%	4.4%	3.9%	-10.9%	7.5%
Bankruptcy 30 or More Days Delinquent	1.1%	1.1%	1.1%	1.1%	1.2%	5.5%	14.4%
Subtotal for Seriously Delinquent	**6.6%**	**7.1%**	**7.8%**	**7.0%**	**6.8%**	**-3.2%**	**3.5%**
Foreclosures in Process	2.7%	2.8%	2.9%	3.2%	3.7%	15.5%	36.2%
Performance of Government-Guaranteed Mortgages (Number)							
Current and Performing	5,826,732	5,914,032	5,766,800	5,940,585	5,938,602	0.0%	1.9%
30–59 Days Delinquent	338,346	342,104	345,295	270,710	320,119	18.3%	-5.4%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	126,264	136,485	139,849	101,989	116,506	14.2%	-7.7%
90 or More Days Delinquent	247,804	281,264	321,608	304,492	274,075	-10.0%	10.6%
Bankruptcy 30 or More Days Delinquent	71,810	73,375	75,869	79,266	84,502	6.6%	17.7%
Subtotal for Seriously Delinquent	**445,878**	**491,124**	**537,326**	**485,747**	**475,083**	**-2.2%**	**6.6%**
Foreclosures in Process	185,423	191,055	201,460	222,648	259,880	16.7%	40.2%
Total	**6,796,379**	**6,938,315**	**6,850,881**	**6,919,690**	**6,993,684**	**1.1%**	**2.9%**

***Figure 4.* Performance of Government-Guaranteed Mortgages**

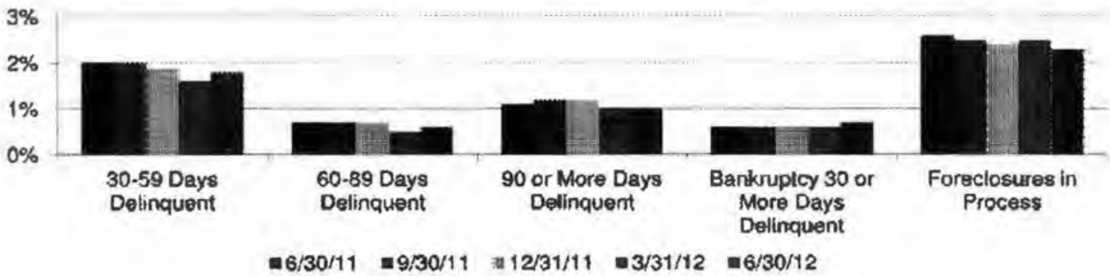


Performance of GSE Mortgages

GSE mortgages made up 58.4 percent of the mortgages in this report, down from 60.2 percent a year earlier. The portfolio of GSE mortgages performs better than the overall portfolio because it contains more prime loans. The percentage of GSE mortgages that were current and performing at the end of the second quarter of 2012 was 93.7 percent, unchanged from the previous quarter but up from 93.1 percent a year earlier (see table 10). The percentage of GSE mortgages that were 30 to 59 days delinquent at the end of the quarter was 1.8 percent, an increase of 9.3 percent from the previous quarter but a 12.0 percent decrease from a year earlier. The percentage of GSE mortgages that were seriously delinquent was 2.2 percent, a 4.3 percent increase from the previous quarter but a 4.1 percent decrease from a year earlier. The percentage of these loans in the process of foreclosure was 2.3 percent, a decrease of 7.0 percent from the previous quarter and 9.6 percent from a year earlier. Of the GSE mortgages, 59 percent were serviced for Fannie Mae and 41 percent for Freddie Mac.

Table 10. Performance of GSE Mortgages (Percentage)							
	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Current and Performing	93.1%	93.1%	93.1%	93.7%	93.7%	-0.1%	0.6%
30–59 Days Delinquent	2.0%	2.0%	1.9%	1.6%	1.8%	9.3%	-12.0%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	0.7%	0.7%	0.7%	0.5%	0.6%	4.1%	-16.2%
90 or More Days Delinquent	1.1%	1.2%	1.2%	1.0%	1.0%	6.6%	-5.2%
Bankruptcy 30 or More Days Delinquent	0.6%	0.6%	0.6%	0.6%	0.7%	1.1%	11.9%
Subtotal for Seriously Delinquent	**2.3%**	**2.5%**	**2.5%**	**2.2%**	**2.2%**	**4.3%**	**-4.1%**
Foreclosures in Process	2.6%	2.5%	2.4%	2.5%	2.3%	-7.0%	-9.6%
Performance of GSE Mortgages (Number)							
Current and Performing	18,351,805	18,011,823	17,265,388	17,153,725	16,672,691	-2.8%	-9.1%
30–59 Days Delinquent	396,676	379,596	357,477	296,501	315,274	6.3%	-20.5%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	131,893	133,734	121,162	98,584	99,844	1.3%	-24.3%
90 or More Days Delinquent	214,952	227,724	227,880	177,483	183,985	3.7%	-14.4%
Bankruptcy 30 or More Days Delinquent	115,311	115,759	116,843	118,413	116,482	-1.6%	1.0%
Subtotal for Seriously Delinquent	**462,156**	**477,217**	**465,885**	**394,480**	**400,311**	**1.5%**	**-13.4%**
Foreclosures in Process	507,925	484,867	449,138	458,137	414,623	-9.5%	-18.4%
Total	**19,718,562**	**19,353,303**	**18,537,888**	**18,302,843**	**17,802,899**	**-2.7%**	**-9.7%**

Figure 5. **Performance of GSE Mortgages**



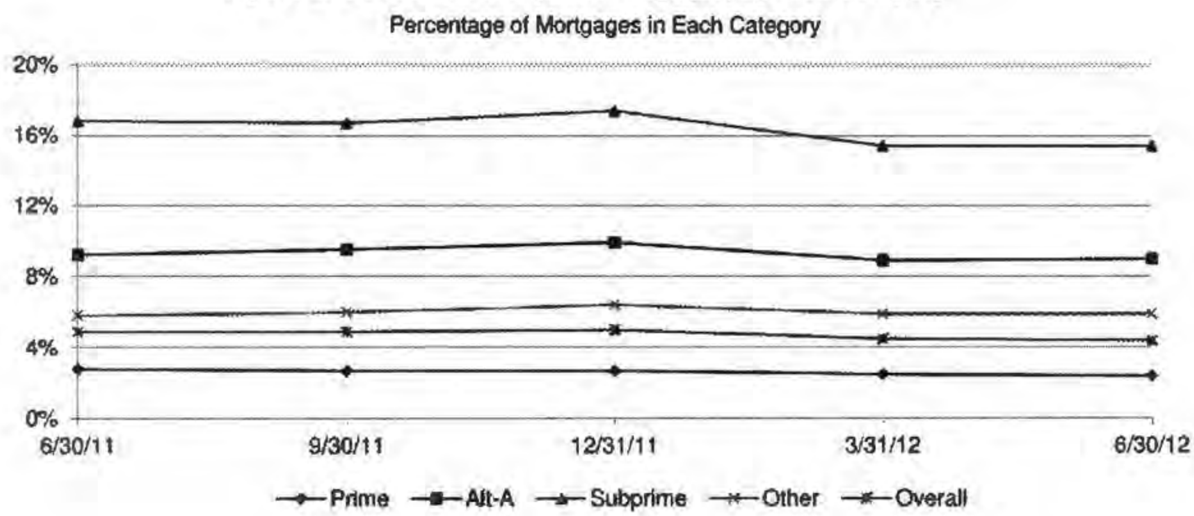
Seriously Delinquent Mortgages, by Risk Category

The portfolio contained 247,519 fewer seriously delinquent loans at the end of the second quarter of 2012 compared with a year earlier—a 15.5 percent decrease (see table 11). Seriously delinquent loans were 4.4 percent of the portfolio at the end of the quarter, a decrease of 0.8 percent from the previous quarter and 9.2 percent from a year earlier. The percentage of seriously delinquent loans is at its lowest level in three years. The number of seriously delinquent loans decreased from both the previous quarter and year across all risk categories.

Table 11. **Seriously Delinquent Mortgages, by Risk Category**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	2.8%	2.7%	2.7%	2.5%	2.4%	-1.2%	-11.7%
Alt-A	9.2%	9.5%	9.9%	8.9%	9.0%	0.8%	-3.1%
Subprime	16.8%	16.7%	17.4%	15.4%	15.4%	-0.1%	-8.7%
Other	5.8%	6.0%	6.4%	5.9%	5.9%	0.2%	3.1%
Overall	4.9%	4.9%	5.0%	4.5%	4.4%	-0.8%	-9.2%
(Number of Mortgages in Each Category)							
Prime	635,065	625,560	610,063	548,312	535,413	-2.4%	-15.7%
Alt-A	325,472	331,200	337,061	298,284	296,029	-0.8%	-9.0%
Subprime	416,745	405,624	401,293	347,641	335,217	-3.6%	-19.6%
Other	222,461	223,087	217,213	193,261	185,565	-4.0%	-16.6%
Total	1,599,743	1,585,471	1,565,630	1,387,498	1,352,224	-2.5%	-15.5%

Figure 6. **Seriously Delinquent Mortgages, by Risk Category**



Mortgages 30 to 59 Days Delinquent, by Risk Category

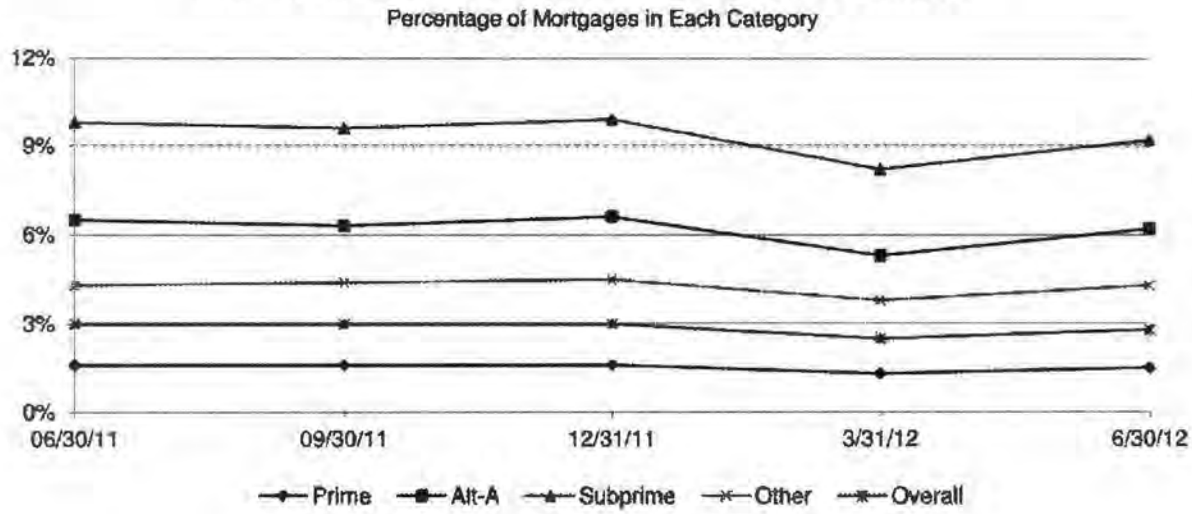
The percentage of loans that were 30 to 59 days delinquent was 2.8 percent of the portfolio at the end of the quarter, an increase of 12.1 percent from the previous quarter but a decrease of 7.5 percent from a year earlier.

Table 12. **Mortgages 30 to 59 Days Delinquent, by Risk Category**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	1.6%	1.6%	1.6%	1.3%	1.5%	10.3%	-8.4%
Alt-A	6.5%	6.3%	6.6%	5.3%	6.2%	15.9%	-4.5%
Subprime	9.8%	9.6%	9.9%	8.2%	9.2%	12.4%	-5.3%
Other	4.3%	4.4%	4.5%	3.8%	4.3%	14.5%	1.2%
Overall	3.0%	3.0%	3.0%	2.5%	2.8%	12.1%	-7.5%
(Number of Mortgages in Each Category)							
Prime	362,954	355,421	348,561	291,413	317,666	9.0%	-12.5%
Alt-A	227,623	221,933	223,717	178,864	204,105	14.1%	-10.3%
Subprime	241,593	231,789	228,396	185,842	201,675	8.5%	-16.5%
Other	164,698	163,584	152,045	122,903	134,884	9.7%	-18.1%
Total	996,868	972,727	952,719	779,022	858,330	10.2%	-13.9%

* Change reflects actual change rather than rounded amount.

Figure 7. **Mortgages 30 to 59 Days Delinquent, by Risk Category**



PART II: Home Retention Actions

Home retention actions include loan modifications, in which servicers modify one or more mortgage contract terms; trial-period plans, in which the loans will be converted to modifications upon successful 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 can help the borrower become current on the loan, attain payment sustainability, and retain the home.

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

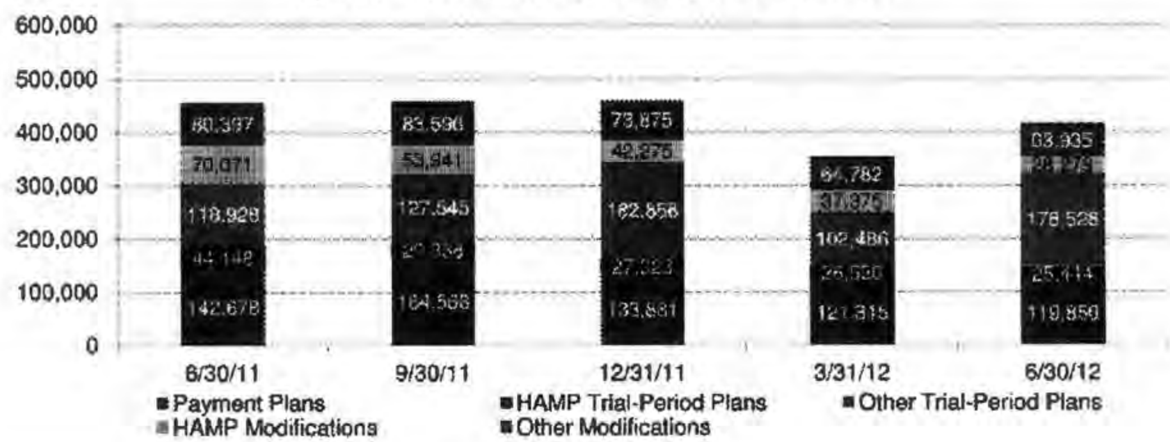
New Home Retention Actions

Servicers implemented 416,036 new home retention actions—loan modifications, trial-period plans, and payment plans—during the second quarter of 2012 (see table 13). The number of home retention actions increased 17.9 percent from the previous quarter but decreased 8.8 percent from a year earlier. Servicers implemented 92,214 modifications during the quarter. The number of modifications decreased 9.7 percent from the previous quarter and 38.7 percent from a year earlier. New HAMP modifications decreased 24.3 percent to 28,279 during the quarter, and other modifications decreased 1.3 percent to 63,935. Servicers implemented 203,972 new trial-period plans. The number of trial-period plans increased 58.1 percent from the previous quarter and 25.1 percent from a year earlier.[3] New payment plans decreased by 1.6 percent during the second quarter to 119,850. During the past five quarters, servicers initiated more than 2.1 million home retention actions—598,526 modifications, 863,126 trial-period plans, and 682,792 payment plans.

Table 13. **Number of New Home Retention Actions**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Other Modifications	80,397	83,596	73,875	64,782	63,935	-1.3%	-20.5%
HAMP Modifications	70,071	53,941	42,275	37,375	28,279	-24.3%	-59.6%
Other Trial-Period Plans	118,928	127,545	182,856	102,486	178,528	74.2%	50.1%
HAMP Trial-Period Plans	44,148	29,338	27,323	26,530	25,444	-4.1%	-42.4%
Payment Plans	142,678	164,568	133,881	121,815	119,850	-1.6%	-16.0%
Total	456,222	458,988	460,210	352,988	416,036	17.9%	-8.8%

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



[3] The number of trial-period plans has been volatile over the last three quarters due to program changes that converted a significant number of borrowers between payment and trial-period plans.

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

Servicers implemented 28,279 HAMP modifications during the second quarter of 2012—down 24.3 percent from the previous quarter (see table 13). Of HAMP modifications completed during the quarter, 47.9 percent went to mortgages serviced for the GSEs. Prime mortgages, which represented 71.7 percent of the total portfolio, received 53.3 percent of all HAMP modifications, while subprime loans, which represented 7.2 percent of the total portfolio, received 18.8 percent of HAMP modifications during the quarter.

Table 14. HAMP Modifications, by Investor and Risk Category
(Modifications Implemented in the Second Quarter of 2012)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	3,901	4,372	163	2,712	3,929	15,077
Alt-A	1,047	1,162	200	1,184	1,629	5,222
Subprime	675	605	168	1,379	2,483	5,310
Other	1,160	637	100	204	569	2,670
Total	6,783	6,776	631	5,479	8,610	28,279

Servicers implemented 25,444 new HAMP trial-period plans during the quarter, a decrease of 4.1 percent from the 26,530 HAMP trial-period plans initiated in the previous quarter (see table 13). GSE mortgages received 46.8 percent of HAMP trial-period plans initiated during the quarter. Prime mortgages received 51.7 percent of the HAMP trial-period plans implemented during the quarter, while Alt-A and subprime mortgages collectively received 38.9 percent.

Table 15. HAMP Trial-Period Plans, by Investor and Risk Category
(Trial-Period Plans Implemented in the Second Quarter of 2012)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	3,559	3,613	570	2,272	3,145	13,159
Alt-A	961	980	532	1,027	1,306	4,806
Subprime	593	535	435	1,135	2,381	5,079
Other	1,186	480	245	154	335	2,400
Total	6,299	5,608	1,782	4,588	7,167	25,444

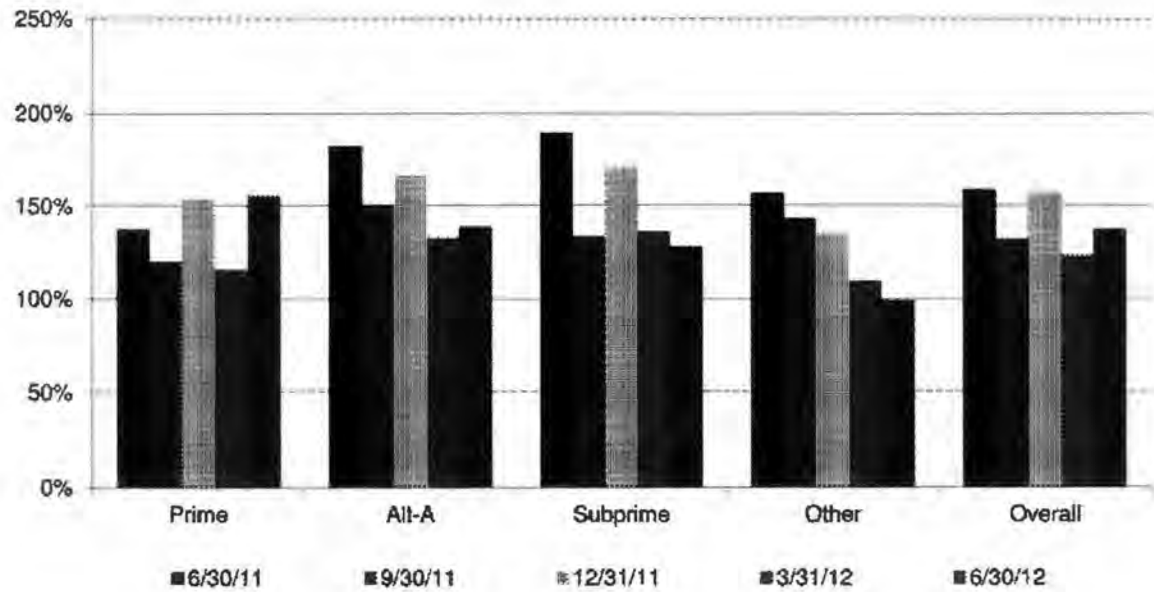
New Home Retention Actions Relative to Newly Initiated Foreclosures

Servicers continued to implement more new home retention actions than new foreclosures. The ratio of newly initiated home retention actions to newly initiated foreclosure actions increased from the previous quarter but decreased from a year earlier. New home retention actions and new foreclosure actions both increased from the previous quarter. While both increased, the increase in new home retention actions was larger than the increase in newly initiated foreclosures (see table 16).

Table 16. **Percentage of New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Prime	137.3%	120.2%	153.6%	115.8%	155.3%	34.1%	13.1%
Alt-A	182.4%	150.7%	166.5%	133.0%	139.0%	4.5%	-23.8%
Subprime	189.7%	133.8%	171.0%	136.5%	128.1%	-6.2%	-32.5%
Other	156.9%	143.5%	134.7%	109.8%	99.1%	-9.8%	-36.8%
Overall	158.9%	132.0%	157.5%	123.0%	137.5%	11.8%	-13.5%
Number of New Home Retention Actions	456,222	458,988	460,210	352,988	416,036	17.9%	-8.8%
Number of Newly Initiated Foreclosures	287,173	347,728	292,173	286,951	302,636	5.5%	5.4%

Figure 9. **New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category**



Types of Modification Actions

The types of modification actions or combinations of actions have different effects on the borrowers' mortgages and their monthly principal and interest payments. Different actions may, over time, have different effects on the long-term sustainability of mortgages. Servicers often use a combination of actions when modifying mortgages, with 90.3 percent of modifications implemented during the second quarter of 2012 changing more than one of the original loan terms (see table 49 in appendix D). Capitalization, interest rate reduction, and term extension remain the primary actions taken with loan modifications, but the use of principal deferral or reduction in modifications has increased over the last five quarters.

Servicers capitalized missed fees and payments in 83.6 percent of modifications completed during the quarter, reduced interest rates in 82.5 percent, and extended loan maturity in 64.8 percent (see table 17). Servicers deferred repayment of some portion of the principal balance in 20.7 percent of modifications made during the quarter, down from 24.6 percent the previous quarter, but up from 18.6 percent a year earlier. The percentage of modifications that included principal reduction increased to 11.4 percent in the second quarter of 2012, up from 6.3 percent a year earlier. Because most modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total modifications. Appendix D presents additional detail on combination modifications.

Table 17. Changes in Loan Terms for Modifications Made During the Second Quarter of 2012

(Percentage of Total Modifications in Each Category)

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Capitalization	90.8%	88.5%	93.3%	91.6%	83.6%	-8.7%	-7.9%
Rate Reduction	79.5%	77.5%	78.2%	80.6%	82.5%	2.3%	3.8%
Rate Freeze	2.1%	4.6%	6.4%	6.2%	6.5%	5.4%	207.1%
Term Extension**	61.1%	57.8%	55.5%	73.7%	64.8%	-12.0%	6.0%
Principal Reduction	6.3%	8.1%	8.5%	10.2%	11.4%	12.2%	82.0%
Principal Deferral	18.6%	20.5%	24.5%	24.6%	20.7%	-15.9%	11.3%
Not Reported*	1.7%	1.0%	1.5%	1.2%	0.8%	-32.8%	-54.2%
(Number of Changes in Each Category)							
Capitalization	136,610	121,662	108,365	93,573	77,115	-17.6%	-43.6%
Rate Reduction	119,568	106,550	90,776	82,362	76,093	-7.6%	-36.4%
Rate Freeze	3,209	6,328	7,419	6,345	6,039	-4.8%	88.2%
Term Extension**	91,945	79,535	64,491	75,256	59,755	-20.6%	-35.0%
Principal Reduction	9,445	11,178	9,866	10,404	10,536	1.3%	11.6%
Principal Deferral	27,989	28,133	28,496	25,154	19,085	-24.1%	-31.8%
Not Reported*	2,574	1,327	1,750	1,190	722	-39.3%	-72.0%

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

Types of HAMP Modification Actions

HAMP modifications follow a prescribed series of actions to attain a targeted monthly mortgage payment. Consistent with modification actions overall and the prescribed order of actions required by HAMP, HAMP modifications most often included capitalization of missed payments and fees, interest-rate reductions, and term extensions. Servicers used principal deferral, another prescribed action in HAMP, in 30.4 percent of HAMP modifications during the second quarter of 2012, down from 32.9 percent in the previous quarter. Principal reduction was used in 21.1 percent of HAMP modifications implemented during the quarter—up from 20.9 percent in the previous quarter and 6.6 percent a year earlier (see table 18).

Table 18. **Changes in Loan Terms for HAMP Modifications During the Second Quarter of 2012**

	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	1Q %Change	1Y %Change
(Percentage of Total Modifications in Each Category)							
Capitalization	97.8%	93.7%	97.3%	97.0%	98.4%	1.5%	0.6%
Rate Reduction	84.3%	86.8%	88.5%	90.0%	87.5%	-2.8%	3.8%
Rate Freeze	0.2%	2.2%	3.3%	4.0%	3.0%	-25.5%	1372.6%
Term Extension**	53.7%	48.4%	49.8%	72.9%	58.1%	-20.3%	8.2%
Principal Reduction	6.6%	11.1%	15.6%	20.9%	21.1%	1.0%	217.9%
Principal Deferral	33.0%	34.9%	38.5%	32.9%	30.4%	-7.4%	-7.7%
Not Reported*	0.1%	0.2%	0.1%	0.1%	0.1%	37.5%	-2.4%
(Number of Changes in Each Category)							
Capitalization	68,521	50,522	41,143	36,250	27,829	-23.2%	-59.4%
Rate Reduction	59,060	46,813	37,416	33,626	24,742	-26.4%	-58.1%
Rate Freeze	141	1,186	1,388	1,487	838	-43.6%	494.3%
Term Extension**	37,642	26,123	21,084	27,263	16,438	-39.7%	-56.3%
Principal Reduction	4,653	5,978	6,596	7,811	5,969	-23.6%	28.3%
Principal Deferral	23,097	16,827	16,295	12,281	8,606	-29.9%	-62.7%
Not Reported*	66	103	37	25	26	4.0%	-60.6%

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

Types of Modification Actions, by Risk Category

Servicers use a combination of actions when modifying mortgages, and no single action can be identified as the primary component of a successful modification. Modifications across all risk categories predominantly featured interest-rate reduction and term extension in addition to the capitalization of past-due interest and fees. Because most modifications changed more than one term, the sum of individual features changed exceeded the total number of modified loans in each risk category. While most actions were used relatively consistently across all risk categories, principal deferral was used most extensively in prime loans, and principal reduction was used at a higher rate in Alt-A and subprime loans (see table 19).

Table 19. Changes in Loan Terms for Modifications, by Risk Category, in Second Quarter 2012

(Percentage of Total Modifications in Each Category)	Prime	Alt-A	Subprime	Other	Overall
Capitalization	77.7%	86.9%	87.7%	93.9%	83.6%
Rate Reduction	84.7%	81.7%	79.0%	82.9%	82.5%
Rate Freeze	4.6%	6.9%	10.0%	6.2%	6.5%
Term Extension	64.0%	65.5%	61.5%	75.1%	64.8%
Principal Reduction	10.0%	12.9%	15.5%	4.5%	11.4%
Principal Deferral	25.0%	18.3%	16.3%	16.6%	20.7%
Not Reported*	0.9%	0.6%	0.4%	1.6%	0.8%
(Number of Changes in Each Category)					
Total Mortgages Modified	41,798	18,858	22,556	9,002	92,214
Capitalization	32,479	16,394	19,788	8,454	77,115
Rate Reduction	35,414	15,400	17,814	7,465	76,093
Rate Freeze	1,908	1,307	2,263	560	6,039
Term Extension	26,765	12,353	13,878	6,759	59,755
Principal Reduction	4,197	2,426	3,505	408	10,536
Principal Deferral	10,459	3,449	3,683	1,494	19,085
Not Reported*	380	113	86	143	722

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

Types of Modification Actions, by Investor and Product Type

Modifications of mortgages serviced for the GSEs accounted for 32.9 percent of all modifications made during the second quarter of 2012. Government-guaranteed loans received 18.1 percent of all modifications, mortgages serviced for private investors received 23.9 percent, and mortgages held in the servicers' own portfolios received 25.1 percent of all second-quarter modifications (see table 20). Interest-rate reduction and capitalization of missed payments and fees remained the primary types of modification actions for all investors, as well as term extension for all except private investors. Principal reduction was used almost exclusively in modifications of loans held in portfolio or serviced for private investors. Because modifications often change more than one loan term, the sum of the actions exceeded the number of modified loans for each investor.

Table 20. Type of Modification Action, by Investor and Product Type, in Second Quarter 2012

(Percentage of Total Modifications in Each Category)						
	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	97.3%	98.9%	96.4%	86.1%	53.3%	83.6%
Rate Reduction	76.8%	92.2%	96.3%	74.6%	80.4%	82.5%
Rate Freeze	6.5%	0.6%	0.4%	8.9%	11.5%	6.5%
Term Extension	82.8%	84.1%	97.4%	29.1%	51.0%	64.8%
Principal Reduction	0.0%	0.0%	0.5%	17.6%	28.4%	11.4%
Principal Deferral	30.3%	35.9%	0.3%	30.6%	10.8%	20.7%
Not Reported*	0.6%	0.4%	0.1%	1.3%	1.2%	0.8%
(Number of Changes in Each Category)						
Total Mortgages Modified	19,616	10,754	16,695	22,041	23,108	92,214
Capitalization	19,089	10,641	16,100	18,969	12,316	77,115
Rate Reduction	15,069	9,910	16,077	16,448	18,589	76,093
Rate Freeze	1,272	66	75	1,958	2,668	6,039
Term Extension	16,248	9,047	16,269	6,411	11,780	59,755
Principal Reduction**	9	1	65	3874	6567	10,536
Principal Deferral	5940	3862	49	6738	2496	19,085
Not Reported	118	42	14	284	266	722

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

**Fannie Mae and Freddie Mac do not offer modifications that include principal reduction. The principal reduction actions reflected in this table represent coding errors to be corrected in subsequent reporting periods.

Types of HAMP Modification Actions, by Investor and Product Type

Of the 28,279 HAMP modifications implemented in the second quarter of 2012, 47.9 percent were on GSE mortgages, 30.4 percent were on mortgages serviced for private investors, 19.4 percent were on mortgages held in servicers' portfolios, and 2.2 percent were on government-guaranteed loans (see table 21). Consistent with total modification actions, the prevailing actions among HAMP modifications were capitalization of past-due interest and fees, interest-rate reduction, and term extension. Principal deferral was used in a significant number of HAMP modifications for all investors other than government-guaranteed loans. HAMP modifications with principal reduction were concentrated in loans held in portfolio and serviced for private investors.

Table 21. Type of HAMP Modification Action, by Investor and Product Type, in Second Quarter 2012

	Fannie Mae	Freddie Mac	Government Guaranteed	Private Investor	Portfolio	Overall
(Percentage of Total Modifications in Each Category)						
Capitalization	99.5%	99.7%	71.5%	99.6%	96.6%	98.4%
Rate Reduction	91.1%	97.1%	92.2%	81.0%	80.8%	87.5%
Rate Freeze	0.3%	0.0%	0.6%	7.1%	3.6%	3.0%
Term Extension	71.9%	77.5%	97.8%	19.7%	73.0%	58.1%
Principal Reduction	0.1%	0.0%	0.5%	32.5%	57.7%	21.1%
Principal Deferral	27.7%	30.2%	1.3%	38.9%	24.3%	30.4%
Not Reported*	0.0%	0.0%	0.0%	0.0%	0.4%	0.1%
(Number of Changes in Each Category)						
Total Mortgages Modified	6,783	6,776	631	8,610	5,479	28,279
Capitalization	6,752	6,753	451	8,578	5,295	27,829
Rate Reduction	6,179	6,580	582	6,973	4,428	24,742
Rate Freeze	21	3	4	615	195	838
Term Extension	4,879	5,250	617	1,692	4,000	16,438
Principal Reduction**	8	0	3	2795	3162	5,968
Principal Deferral	1876	2046	8	3345	1331	8,606
Not Reported	3	2	0	0	21	26

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

**Fannie Mae and Freddie Mac do not offer modifications that include principal reduction. The principal reduction actions reflected in this table represent coding errors to be corrected in subsequent reporting periods.

Changes in Monthly Payments Resulting From Modification

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

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

Mortgage modifications may increase monthly payments when borrowers and servicers agree to add past-due interest, advances for taxes or insurance and other fees to the loan balances and re-amortize the new balances over the remaining life of the mortgages. The interest rate or maturity of the loans may be changed on these modifications but not enough to offset the increase in payments caused by the additional capitalized principal. Modifications may also result in increased monthly payments when interest rates or principal payments on adjustable rate mortgages and payment-option ARMs are reset higher but by less than the amount indicated in the original mortgage contracts.

Modifications that increase payments may be appropriate when borrowers resolve temporary problems with cash flow, or otherwise have reasonable prospects of making higher payments to repay the debt over time. However, during periods of prolonged economic stress, this strategy carries additional risk, underscoring the importance of verifying borrowers' income and debt-payment ability so that borrowers and servicers have confidence that the modifications will be sustainable.

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

Changes in Monthly Payments Resulting From Modifications, by Quarter

More than 90 percent of modifications made in the quarter reduced monthly principal and interest payments (see table 22), and almost 55 percent of the modifications reduced payments by 20 percent or more. More than 22 percent reduced payments between 10 percent and 20 percent, and another 13.6 percent reduced payments by less than 10 percent.

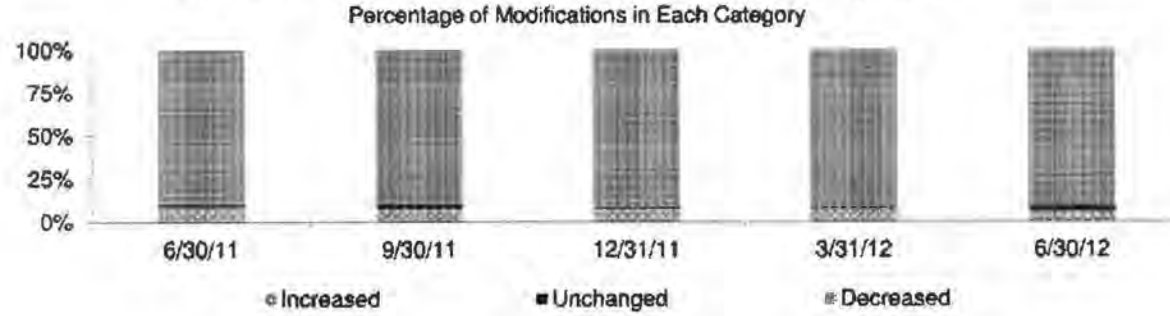
Table 22. **Changes in Monthly Principal and Interest Payments Resulting From Modifications**

(Percentage of Modifications in Each Category)*	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Decreased by 20% or More	53.8%	53.6%	59.5%	62.7%	54.6%	-12.9%	1.4%
Decreased by 10% to Less Than 20%	17.1%	18.3%	16.7%	15.9%	22.2%	39.2%	29.6%
Decreased by Less Than 10%	18.4%	17.5%	15.0%	12.9%	13.6%	5.3%	-26.3%
Subtotal for Decreased	**89.4%**	**89.4%**	**91.2%**	**91.5%**	**90.4%**	**-1.2%**	**1.1%**
Unchanged	1.9%	2.4%	0.8%	1.0%	3.3%	216.1%	72.8%
Increased	8.7%	8.2%	7.9%	7.4%	6.3%	-14.9%	-27.3%
Subtotal for Unchanged and Increased	**10.6%**	**10.6%**	**8.8%**	**8.5%**	**9.6%**	**13.4%**	**-9.3%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
(Number of Modifications in Each Category)							
Decreased by 20% or More	80,595	73,352	68,415	63,716	50,088	-21.4%	-37.9%
Decreased by 10% to Less Than 20%	25,670	25,054	19,256	16,218	20,379	25.7%	-20.6%
Decreased by Less Than 10%	27,619	23,971	17,221	13,134	12,476	-5.0%	-54.8%
Subtotal for Decreased	**133,884**	**122,377**	**104,892**	**93,068**	**82,943**	**-10.9%**	**-38.0%**
Unchanged	2,853	3,335	972	1,059	3,021	185.3%	5.9%
Increased	13,025	11,202	9,138	7,558	5,801	-23.2%	-55.5%
Subtotal for Unchanged and Increased	**15,878**	**14,537**	**10,110**	**8,617**	**8,822**	**2.4%**	**-44.4%**
Total	149,762	136,914	115,002	101,685	91,765	-9.8%	-38.7%

*No payment change information was reported on 706 modifications in the second quarter of 2011, 623 in the third quarter of 2011, 1,148 in the fourth quarter of 2011, 472 in the first quarter of 2012 and 449 in the second quarter of 2012.

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

Percentage of Modifications in Each Category



Changes in Monthly Payments Resulting From HAMP Modifications, by Quarter

Of HAMP modifications completed during the second quarter of 2012, 98.0 percent reduced borrower monthly payments, with 76.2 percent reducing payments by 20 percent or more (see table 23). In addition to achieving lower payments, HAMP attempts to increase payment sustainability by targeting monthly housing payments at 31 percent of borrowers' income. Performance data on all modifications showed that reduced monthly payments result in lower re-default rates over time and that the greater the decrease in payment, the lower the rate of re-default.

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

(Percentage of HAMP Modifications in Each Category)*,**	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Decreased by 20% or More	77.1%	75.8%	77.5%	76.1%	76.2%	0.2%	-1.1%
Decreased by 10% to Less Than 20%	13.1%	13.6%	12.5%	12.4%	13.1%	5.2%	-0.3%
Decreased by Less Than 10%	8.6%	9.2%	8.6%	9.0%	8.7%	-2.6%	1.2%
Subtotal for Decreased	**98.8%**	**98.6%**	**98.6%**	**97.5%**	**98.0%**	**0.6%**	**-0.8%**
Unchanged	0.2%	0.2%	0.1%	0.4%	0.2%	-37.4%	19.3%
Increased	1.0%	1.2%	1.3%	2.2%	1.7%	-19.6%	78.5%
Subtotal for Unchanged and Increased	**1.2%**	**1.4%**	**1.4%**	**2.5%**	**2.0%**	**-22.1%**	**69.1%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
(Number of HAMP Modifications in Each Category)							
Decreased by 20% or More	53,941	40,756	32,719	28,354	21,479	-24.2%	-60.2%
Decreased by 10% to Less Than 20%	9,178	7,299	5,266	4,636	3,686	-20.5%	-59.8%
Decreased by Less Than 10%	6,024	4,957	3,632	3,337	2,456	-26.4%	-59.2%
Subtotal for Decreased	**69,143**	**53,012**	**41,617**	**36,327**	**27,621**	**-24.0%**	**-60.1%**
Unchanged	129	101	63	131	62	-52.7%	-51.9%
Increased	683	650	545	808	491	-39.2%	-28.1%
Subtotal for Unchanged and Increased	**812**	**751**	**608**	**939**	**553**	**-41.1%**	**-31.9%**
Total	69,955	53,763	42,225	37,266	28,174	-24.4%	-59.7%

*No payment change information was reported on 116 modifications in the second quarter of 2011, 178 in the third quarter of 2011, 50 in the fourth quarter of 2011, 109 in the first quarter of 2012 and 105 in the first quarter of 2012.

**Some HAMP modifications, like other modifications, may increase the borrowers' monthly principal and interest payments when loans with a previous interest-only or partial payment are modified to amortize the loans over their remaining terms, or when adjustable rate mortgages are reset to higher rates and payments but at lower rates than otherwise contractually required. While the principal and interest portion of the payment might increase, the total payment will reflect a housing expense ratio of 31 percent as specified by HAMP.

Average Change in Monthly Payments Resulting From Modifications, by Quarter

Modifications made during the second quarter of 2012 reduced monthly principal and interest payments by 24.6 percent on average, or $381 (see table 24). HAMP modifications made during the quarter reduced payments by 35.3 percent on average, or $576. Other modifications completed during the quarter reduced payments by $295 on average, a 19.9 percent average reduction.

Table 24. **Average Change in Monthly Payments Resulting From Modifications, by Quarter***

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
All Modifications							
Decreased by 20% or More	(667)	(646)	(671)	(655)	(618)	-5.7%	-7.3%
Decreased by 10% to Less Than 20%	(187)	(192)	(192)	(191)	(199)	4.2%	6.3%
Decreased by Less Than 10%	(60)	(64)	(66)	(63)	(70)	10.5%	15.4%
Unchanged	0	0	0	0	0		
Increased**	106	128	145	162	155	-4.5%	45.9%
Overall (in dollars)	(393)	(362)	(430)	(437)	(381)	-12.8%	-3.0%
Percentage Change	-25.1%	-24.4%	-26.5%	-27.4%	-24.6%		
Other Modifications							
Decreased by 20% or More	(591)	(576)	(623)	(590)	(546)	-7.5%	-7.7%
Decreased by 10% to Less Than 20%	(170)	(181)	(182)	(181)	(196)	8.2%	15.3%
Decreased by Less Than 10%	(55)	(61)	(63)	(59)	(68)	15.9%	23.2%
Unchanged	0	0	0	0	0		
Increased**	103	126	143	158	151	-4.4%	46.3%
Overall (in dollars)	(232)	(262)	(335)	(349)	(295)	-15.4%	27.4%
Percentage Change	-15.6%	-17.5%	-21.1%	-22.7%	-19.9%		
HAMP Modifications							
Decreased by 20% or More	(704)	(702)	(725)	(736)	(714)	-3.0%	1.4%
Decreased by 10% to Less Than 20%	(219)	(219)	(219)	(216)	(215)	-0.6%	-1.8%
Decreased by Less Than 10%	(79)	(77)	(79)	(76)	(76)	0.9%	-3.0%
Unchanged	0	0	0	0	0		
Increased**	158	158	174	198	196	-0.9%	
Overall (in dollars)	(577)	(567)	(593)	(590)	(576)	-2.3%	-0.2%
Percentage Change	-35.9%	-35.1%	-36.0%	-35.4%	-35.3%		

*Parentheses indicate that, on average, borrowers' monthly payments decreased by the amount enclosed within the parentheses.

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

B. Modified Loan Performance

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

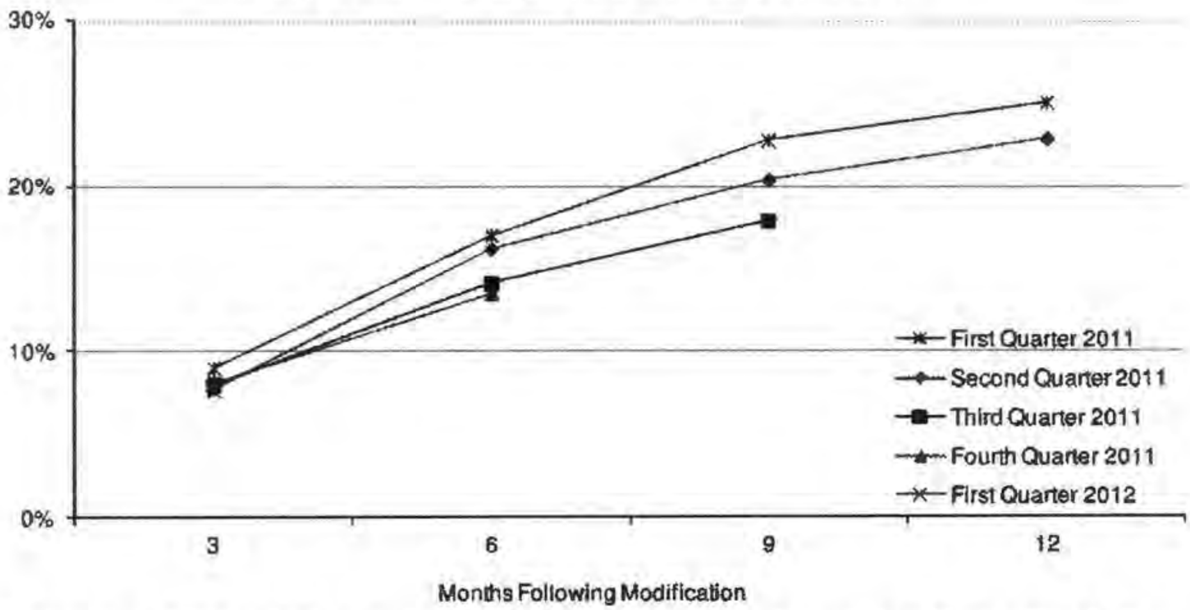
Modification performance may vary because of many factors, including the types of modification actions, the average amount of change in the borrower's monthly payment, the characteristics and geographic location of the modified loans, and the addition or deletion of modification programs among the reporting institutions. Despite differences in many of these factors, mortgages modified in each of the last five quarters have performed similarly over time with more recent modifications performing somewhat better than earlier modifications. Among modifications completed in each of the last five quarters, about 8 to 9 percent of loans were 60 or more days delinquent three months after modification, about 14 to 17 percent were 60 or more days delinquent six months after modification and about 23 to 25 percent were 60 or more days delinquent twelve months after modification (see table 25).

Table 25. **Modified Loans 60 or More Days Delinquent**

Modification Date*	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
First Quarter 2011	9.0%	17.0%	22.8%	25.1%
Second Quarter 2011	7.8%	16.2%	20.4%	22.9%
Third Quarter 2011	8.0%	14.1%	17.9%	--
Fourth Quarter 2011	8.1%	13.5%	--	--
First Quarter 2012	7.7%	--	--	--

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

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



*The first quarter 2012 data is a single point (7.7 percent), and is obscured by the beginning of the trend lines for the second, third and fourth quarters of 2011.

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

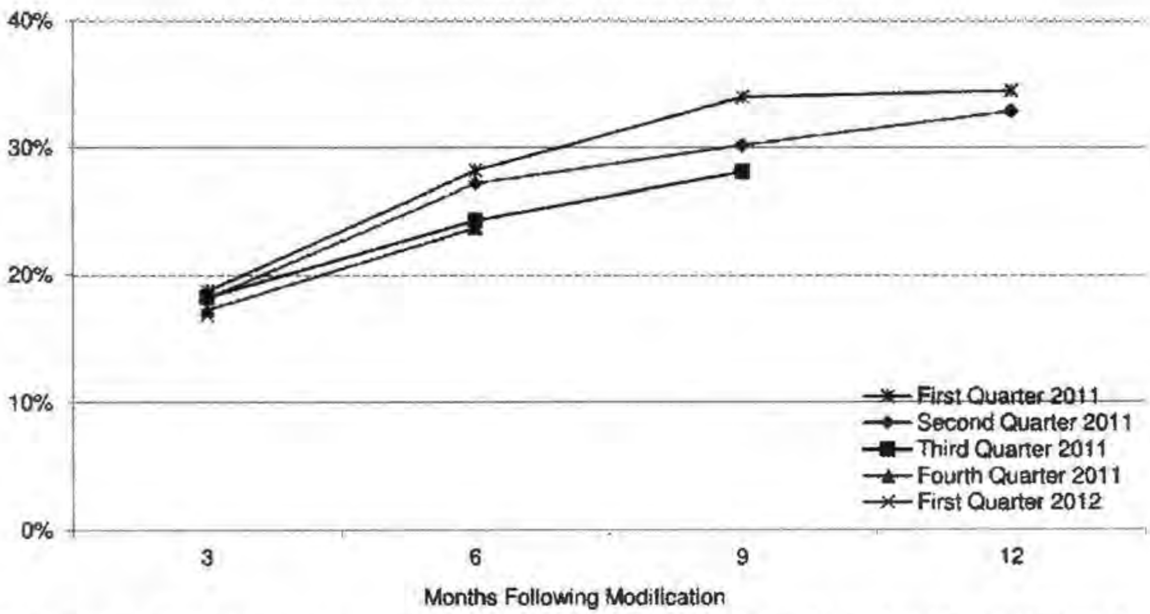
Re-default rates measured at 30 or more days delinquent provide an early indicator of mortgages that may need additional attention to prevent more serious delinquency or foreclosure. For modifications completed in each of the last five quarters, about 17 to 19 percent were 30 or more days delinquent three months after modification. Among modifications outstanding at least one year, about 33 to 35 percent were 30 or more days delinquent twelve months after modification (see table 26).

Table 26. **Modified Loans 30 or More Days Delinquent**

Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
First Quarter 2011	18.7%	28.2%	34.0%	34.5%
Second Quarter 2011	18.1%	27.2%	30.2%	32.9%
Third Quarter 2011	18.2%	24.3%	28.1%	--
Fourth Quarter 2011	17.2%	23.7%	--	--
First Quarter 2012	16.8%	--	--	--

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

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



*The first quarter 2012 data is a single point (16.8 percent), and is obscured by the beginning of the trend line for the fourth quarter of 2011.

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

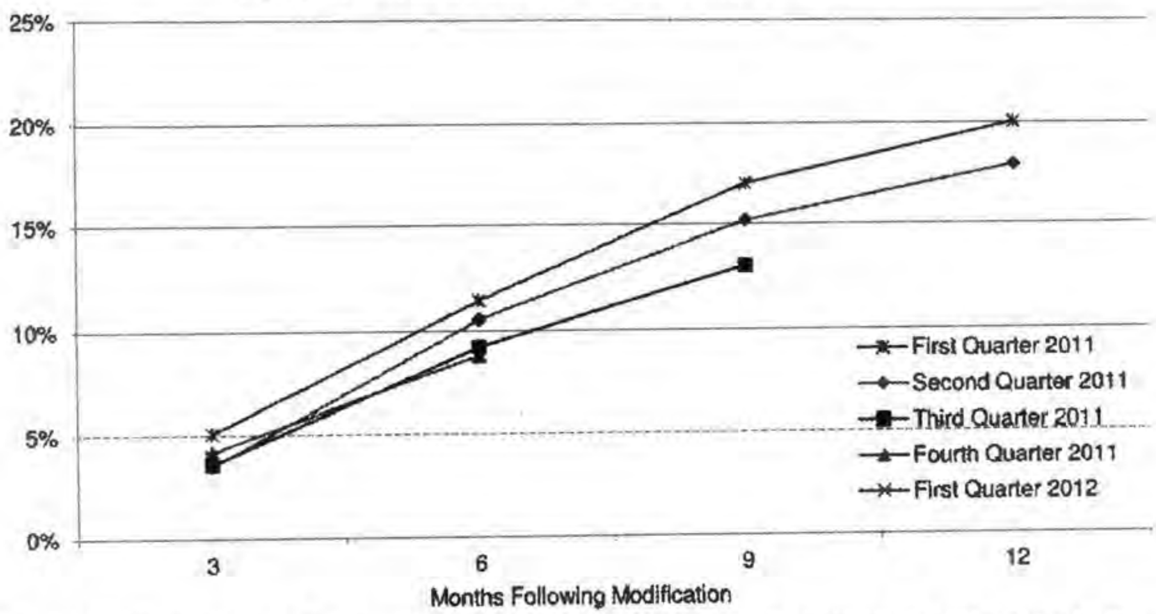
Among modifications completed during the last five quarters, about 18 to 20 percent were 90 or more days delinquent twelve months after modification (see table 27).

Table 27. Modified Loans 90 or More Days Delinquent*

Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
First Quarter 2011	5.1%	11.4%	17.0%	20.0%
Second Quarter 2011	3.5%	10.5%	15.2%	17.9%
Third Quarter 2011	3.6%	9.2%	13.0%	--
Fourth Quarter 2011	4.2%	8.8%	--	--
First Quarter 2012	4.0%	--	--	--

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

Figure 13. Modified Loans 90 or More Days Delinquent



*The first quarter 2012 data is a single point (4.0 percent), and is obscured by the beginning of the trend line for the fourth quarter of 2011.

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

Modifications on mortgages held in the servicers' own portfolios or serviced for the GSEs—Fannie Mae and Freddie Mac—performed better than modifications on mortgages serviced for other investors. These lower re-default rates for portfolio and GSE mortgages may reflect differences in loan risk characteristics, modification programs, and, for portfolio mortgages, additional flexibility to modify terms for greater sustainability. Re-default rates for government-guaranteed mortgages and loans serviced for private investors were highest over time, reflecting the higher risk characteristics associated with those mortgages. For all investors, re-default rates have decreased over time as more recent modifications have focused more on reducing monthly payments and increasing borrowers' ability to sustain the reduced payments over time.

Table 28. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2008
(60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	30.5%	45.0%	54.2%	59.5%
Freddie Mac	34.0%	44.9%	53.1%	59.2%
Government-Guaranteed	32.5%	53.5%	63.6%	67.8%
Private	37.5%	48.3%	56.0%	61.0%
Portfolio Loans	15.0%	25.3%	31.7%	36.2%
Overall	32.1%	44.7%	52.2%	57.1%

Table 29. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2009
(60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months after Modification	9 Months after Modification	12 Months After Modification
Fannie Mae	18.0%	31.4%	37.9%	41.2%
Freddie Mac	29.2%	37.1%	42.0%	44.5%
Government-Guaranteed	23.5%	42.2%	51.7%	55.5%
Private	28.2%	40.8%	48.8%	52.5%
Portfolio Loans	7.2%	15.3%	21.0%	24.6%
Overall	20.1%	32.3%	39.5%	43.1%

Table 30. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2010
(60 or More Days Delinquent)*

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	9.7%	14.4%	18.2%	20.7%
Freddie Mac	7.4%	12.3%	15.6%	17.9%
Government-Guaranteed	12.4%	27.3%	36.0%	40.6%
Private	12.2%	19.9%	25.0%	28.3%
Portfolio Loans	6.6%	11.8%	15.7%	18.0%
Overall	10.0%	17.4%	22.4%	25.4%

Table 31. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2011 (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	7.2%	11.2%	14.4%	16.2%
Freddie Mac	6.0%	10.9%	14.5%	16.6%
Government-Guaranteed	11.9%	28.0%	37.7%	42.5%
Private	9.7%	15.6%	20.1%	23.6%
Portfolio Loans	5.0%	9.2%	12.0%	13.7%
Overall	8.3%	15.4%	20.5%	24.0%

Table 32. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2012 (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	6.9%	--	--	--
Freddie Mac	5.9%	--	--	--
Government-Guaranteed	9.9%	--	--	--
Private	9.0%	--	--	--
Portfolio Loans	6.0%	--	--	--
Overall	7.7%	--	--	--

*Data include all modifications implemented during 2012 that have aged the indicated number of months.

Performance of HAMP Modifications Compared With Other Modifications

HAMP modifications have performed better than other modifications implemented during the same periods. These lower post-modification delinquency rates reflect HAMP's emphasis on the affordability of monthly payments relative to the borrower's income, verification of income, and completion of a successful trial-payment period (see table 33). While these criteria result in better performance of HAMP modifications over time, the greater flexibility in making other modifications results in a greater number of modifications for those borrowers who do not qualify for HAMP modifications.

***Table 33.* Performance of HAMP Modifications Compared With Other Modifications**
(60 or More Days Delinquent)*

	Number of Modifications	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
HAMP Second Quarter 2010	108,155	8.3%	13.3%	15.9%	17.3%
Other Second Quarter 2010	158,899	12.3%	24.0%	29.2%	31.4%
HAMP Third Quarter 2010	58,856	7.5%	11.5%	13.5%	16.5%
Other Third Quarter 2010	174,856	9.7%	17.1%	21.1%	25.4%
HAMP Fourth Quarter 2010	58,340	9.0%	11.2%	14.7%	17.7%
Other Fourth Quarter 2010	152,514	8.3%	15.5%	22.7%	28.0%
HAMP First Quarter 2011	53,250	5.8%	9.9%	13.4%	14.9%
Other First Quarter 2011	106,660	10.7%	20.7%	27.8%	30.3%
HAMP Second Quarter 2011	70,071	5.4%	9.5%	12.1%	13.8%
Other Second Quarter 2011	80,397	10.0%	22.1%	27.7%	30.9%
HAMP Third Quarter 2011	53,941	5.5%	9.1%	11.5%	--
Other Third Quarter 2011	83,596	9.6%	17.4%	22.1%	--
HAMP Fourth Quarter 2011	42,275	4.6%	7.6%	--	--
Other Fourth Quarter 2011	73,875	10.1%	17.0%	--	--
HAMP First Quarter 2012	37,375	4.9%	--	--	--
Other First Quarter 2012	84,782	9.3%	--	--	--

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

C. Modified Loan Performance, by Change in Monthly Payments

Modifications that reduce borrowers' monthly payments consistently show re-default rates lower than other modifications—the larger the reduction in monthly payment, the lower the subsequent re-default rates. Lower re-default rates may also result from setting monthly payments relative to the borrower's income and ability to repay, as well as verification of income and completion of a successful trial period.

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

Re-Default Rates of Loans by Change in Payment

Tables 34 through 38 present re-default rates, measured as 60 or more days delinquent, for modifications made since January 1, 2008. Data show that re-default rates decrease as reductions in monthly principal and interest payments increase. Modification performance has continued to improve over time as more recent modifications, those made in 2010 and 2011, focused more on substantively reducing monthly payments and setting payments relative to the borrower's income and ability to pay.

Modifications that resulted in no change to the borrower's monthly payment have performed better than many modifications that reduced payments. These modifications generally freeze the interest rate on an adjustable rate mortgage so that the rate and payment do not increase, and tend to be offered to borrowers who were not in default on their payments.

Table 34. Re-Default Rates of Loans Modified in 2008 by Change in Payment
(60 or More Days Delinquent)

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	15.8%	25.9%	33.2%	39.4%
Decreased by 10% to Less Than 20%	20.8%	32.9%	41.3%	47.9%
Decreased by Less Than 10%	23.8%	40.1%	49.5%	55.1%
Unchanged	47.3%	54.4%	59.5%	63.0%
Increased	34.6%	53.1%	61.9%	66.9%
Total	32.1%	44.5%	52.0%	57.0%

Table 35. Re-Default Rates of Loans Modified in 2009 by Change in Payment
(60 or More Days Delinquent)

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	11.4%	19.3%	25.3%	28.7%
Decreased by 10% to Less Than 20%	15.9%	29.2%	37.3%	41.7%
Decreased by Less Than 10%	17.8%	33.9%	42.6%	46.7%
Unchanged	41.8%	49.6%	54.8%	57.0%
Increased	26.7%	46.6%	56.0%	59.8%
Total	20.0%	32.2%	39.5%	43.1%

Table 36. Re-Default Rates of Loans Modified in 2010 by Change in Payment
(60 or More Days Delinquent)

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	7.3%	11.5%	15.0%	17.5%
Decreased by 10% to Less Than 20%	10.0%	19.9%	26.3%	30.2%
Decreased by Less Than 10%	13.5%	26.2%	33.5%	37.5%
Unchanged	17.6%	20.9%	23.6%	25.2%
Increased	18.2%	32.9%	40.4%	44.2%
Total	10.0%	17.4%	22.4%	25.4%

Table 37. Re-Default Rates of Loans Modified in 2011 by Change in Payment (60 or More Days Delinquent)	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	5.6%	9.6%	12.9%	15.1%
Decreased by 10% to Less Than 20%	8.2%	16.9%	23.2%	27.9%
Decreased by Less Than 10%	11.0%	22.7%	29.8%	33.7%
Unchanged	10.0%	18.6%	14.7%	17.5%
Increased	18.6%	33.0%	41.5%	46.5%
Total	8.3%	15.4%	20.5%	24.0%

Table 38. Re-Default Rates of Loans Modified in 2012 by Change in Payment (60 or More Days Delinquent)*	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	5.5%	--	--	--
Decreased by 10% to Less Than 20%	7.7%	--	--	--
Decreased by Less Than 10%	10.9%	--	--	--
Unchanged	20.0%	--	--	--
Increased	18.3%	--	--	--
Total	7.7%	--	--	--

*Data include all modifications implemented during 2012 that have aged the indicated number of months.

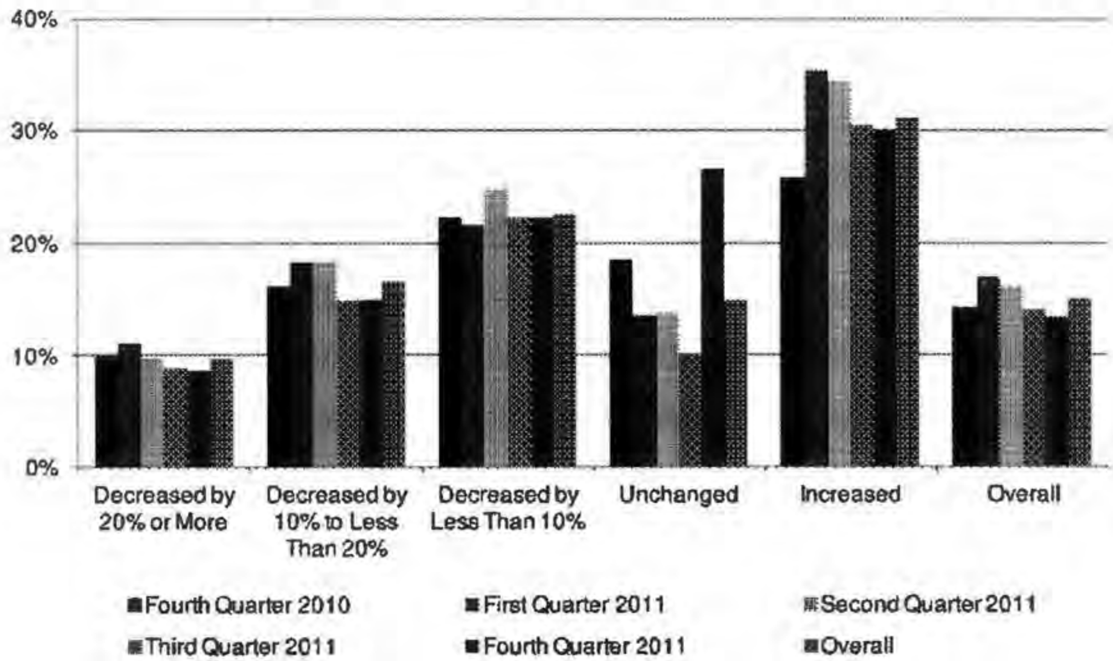
60+ Delinquency at Six Months After Modification by Change in Monthly Payment

Modifications that significantly reduced monthly principal and interest payments consistently performed better than other modifications. Modifications with the greatest decrease in monthly payments consistently had the lowest re-default rates (see table 39). Modifications that result in no change to the borrowers' monthly payments generally have performed better than many modifications that reduced payments because these modifications tend to be offered to borrowers with adjustable rate mortgages who had not defaulted on their payments.

Table 39. 60+ Delinquency at Six Months After Modification by Change in Monthly Payment

	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Overall
Fourth Quarter 2010	9.9%	16.2%	22.2%	18.5%	25.7%	14.3%
First Quarter 2011	11.1%	18.3%	21.5%	13.6%	35.4%	17.0%
Second Quarter 2011	9.8%	18.3%	24.8%	13.8%	34.3%	16.2%
Third Quarter 2011	8.9%	15.0%	22.2%	10.2%	30.5%	14.1%
Fourth Quarter 2011	8.6%	15.0%	22.2%	26.6%	30.0%	13.5%
Overall	9.7%	16.7%	22.6%	15.0%	31.2%	15.1%

Figure 14. 60+ Delinquency at Six Months After Modification by Change in Monthly Payment



Status of Mortgages Modified in 2008–2012

Servicers implemented 2,645,290 modifications from January 1, 2008 through March 31, 2012. Of these modifications, 47.0 percent were current and performing at the end of the second quarter of 2012 with another 1.6 percent paid off. Almost 23 percent of these modifications were delinquent, while 17.0 percent were in process of foreclosure or had completed the foreclosure process. HAMP modifications implemented since the third quarter of 2009 have performed better than other modifications. Modifications that reduced borrowers' monthly payments by 10 percent or more performed significantly better than other modifications. Of the 1,591,822 modifications that reduced payments by 10 percent or more, 55.4 percent were current and performing at the end of the quarter, compared with 34.3 percent of modifications that reduced payments less than 10 percent (see table 40). Modifications of mortgages held in the servicers' portfolios and those serviced for GSEs performed better than modifications of mortgages serviced for other investors (see tables 28 through 32).

Table 40. Status of Mortgages Modified in 2008–2012

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	445,354	24.0%	5.4%	15.0%	15.2%	14.8%	3.5%	22.1%
2009	594,350	36.3%	7.0%	16.9%	13.5%	9.5%	2.3%	14.5%
2010	939,364	50.4%	7.9%	14.7%	9.8%	4.6%	1.1%	11.5%
2011	564,065	64.9%	9.1%	14.4%	6.6%	1.1%	0.5%	3.5%
2012	102,157	79.1%	9.1%	8.8%	1.3%	0.1%	0.1%	1.6%
Total	2,645,290	47.0%	7.6%	14.9%	10.5%	6.5%	1.6%	11.9%
HAMP Modification Performance Compared With Other Modifications**								
Other Modifications	1,259,224	50.7%	8.9%	17.2%	9.8%	4.7%	1.2%	7.5%
HAMP Modifications	603,126	64.8%	6.9%	9.1%	6.1%	2.2%	0.6%	10.3%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,591,822	55.4%	7.6%	12.5%	8.1%	4.1%	1.0%	11.3%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	1,053,468	34.3%	7.4%	18.7%	14.2%	10.1%	2.4%	12.8%

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

**Modifications used to compare with HAMP modifications only include modifications implemented from the third quarter of 2009 through the first quarter of 2012.

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

Completed Foreclosures and Other Home Forfeiture Actions

Home forfeiture actions—foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—totaled 167,474 during the second quarter of 2012, a decrease of 9.9 percent from the previous quarter and 7.1 percent from a year earlier (see table 41). The number of completed foreclosures decreased to 101,735—down 17.3 percent from the previous quarter and 16.1 percent from a year earlier. Short sales increased 5.7 percent from the previous quarter and 12.4 percent from a year earlier. Short sales were 37.9 percent of total home forfeiture actions, up from 32.3 percent during the previous quarter. Deed-in-lieu-of-foreclosure actions remained a small portion of total home forfeiture actions during the quarter.

Table 41. **Completed Foreclosures and Other Home Forfeiture Actions**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Completed Foreclosures	121,237	113,294	116,159	122,979	101,735	-17.3%	-16.1%
New Short Sales	56,407	57,479	63,257	59,996	63,403	5.7%	12.4%
New Deed-in-Lieu-of-Foreclosure Actions	2,558	2,623	2,939	2,806	2,336	-16.7%	-8.7%
Total	180,202	173,396	182,355	185,781	167,474	-9.9%	-7.1%

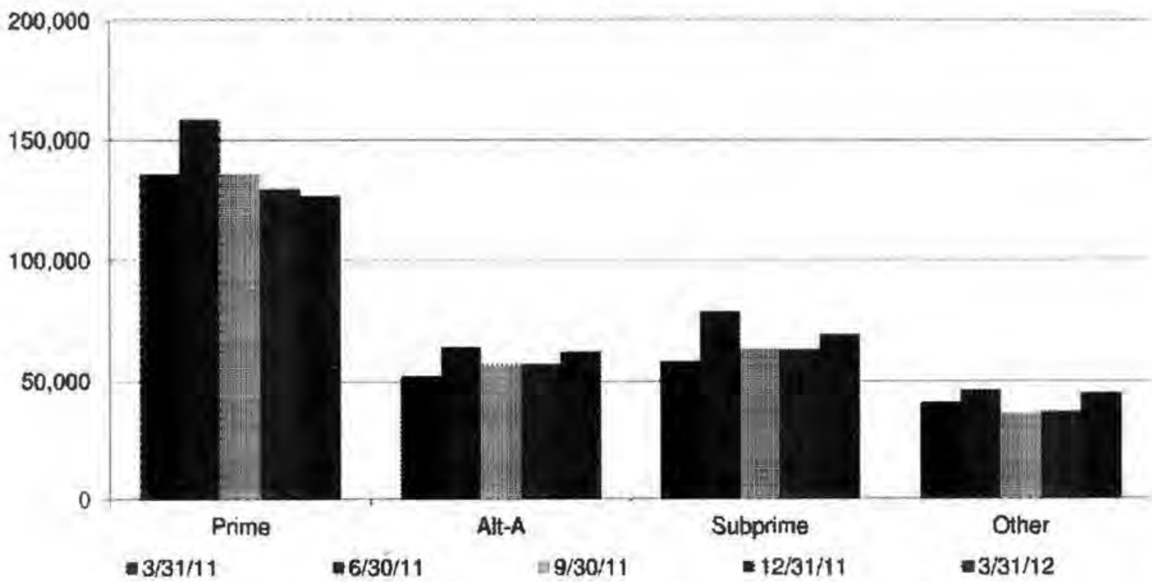
Newly Initiated Foreclosures

Servicers initiate foreclosure actions at defined stages of loan delinquency. Foreclosure actions will progress to sale of the property only if servicers and borrowers cannot arrange a permanent loss mitigation action, modification, or alternate workout solution or home sale. Newly initiated foreclosures increased to 302,636 from 286,951, a 5.5 percent increase from the previous quarter (see table 42). Newly initiated foreclosures of Alt-A, subprime, and other loans increased from the previous quarter. Prime loans experienced a decrease in newly initiated foreclosures from both the previous quarter and a year earlier.

Table 42. **Number of Newly Initiated Foreclosures**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Prime	136,123	158,633	136,026	129,823	126,966	-2.2%	-6.7%
Alt-A	52,067	64,216	56,736	56,996	62,054	8.9%	19.2%
Subprime	58,232	78,852	63,225	63,286	68,968	9.0%	18.4%
Other	40,751	46,027	36,186	36,846	44,648	21.2%	9.6%
Total	287,173	347,728	292,173	286,951	302,636	5.5%	5.4%

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



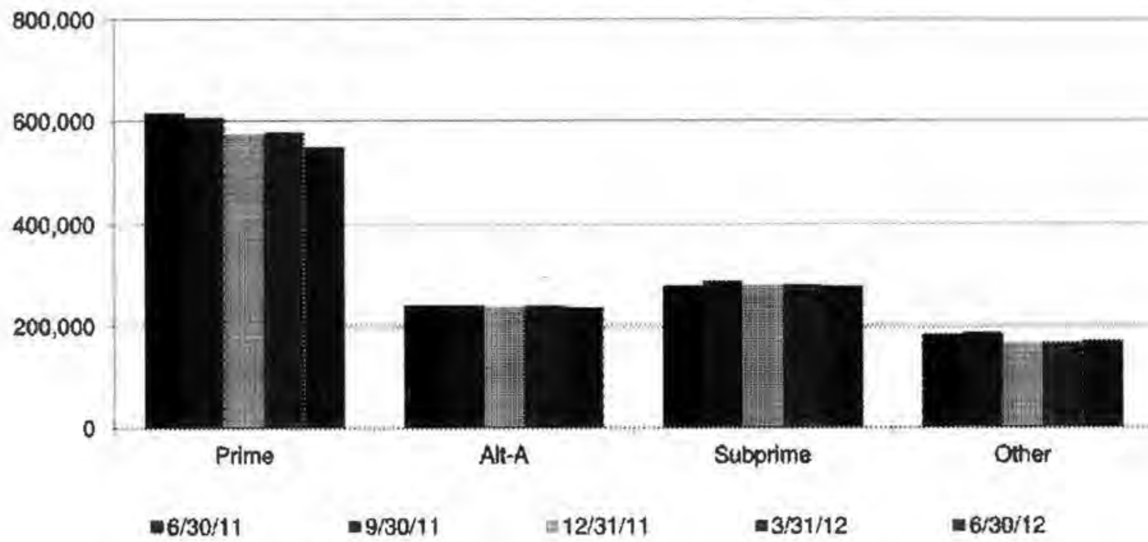
Foreclosures in Process

The number of mortgages in process of foreclosure decreased 2.6 percent from the previous quarter and 6.6 percent from a year earlier to 1,237,025. Foreclosures in process as a percentage of all mortgages serviced have remained stable over the past five quarters, varying from 4.0 to 4.1 percent (see table 43).

Table 43. **Foreclosures in Process**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Percentage of Foreclosures In Process Relative to Mortgages in That Risk Category							
Prime	2.7%	2.7%	2.6%	2.6%	2.5%	-3.8%	-6.6%
Alt-A	6.8%	6.9%	7.0%	7.2%	7.2%	0.3%	5.1%
Subprime	11.3%	12.0%	12.2%	12.5%	12.8%	2.1%	13.4%
Other	4.7%	5.0%	4.9%	5.1%	5.5%	6.1%	15.1%
Total	4.0%	4.1%	4.0%	4.1%	4.1%	-0.9%	0.8%
Number of Foreclosures in Process							
Prime	616,122	607,309	576,761	578,547	549,862	-5.0%	-10.8%
Alt-A	240,873	242,150	237,558	240,876	237,671	-1.3%	-1.3%
Subprime	279,202	289,968	281,440	282,879	279,023	-1.4%	-0.1%
Other	183,084	186,592	166,585	167,619	170,469	1.7%	-6.9%
Total	1,319,281	1,326,019	1,262,294	1,269,921	1,237,025	-2.6%	-6.2%

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

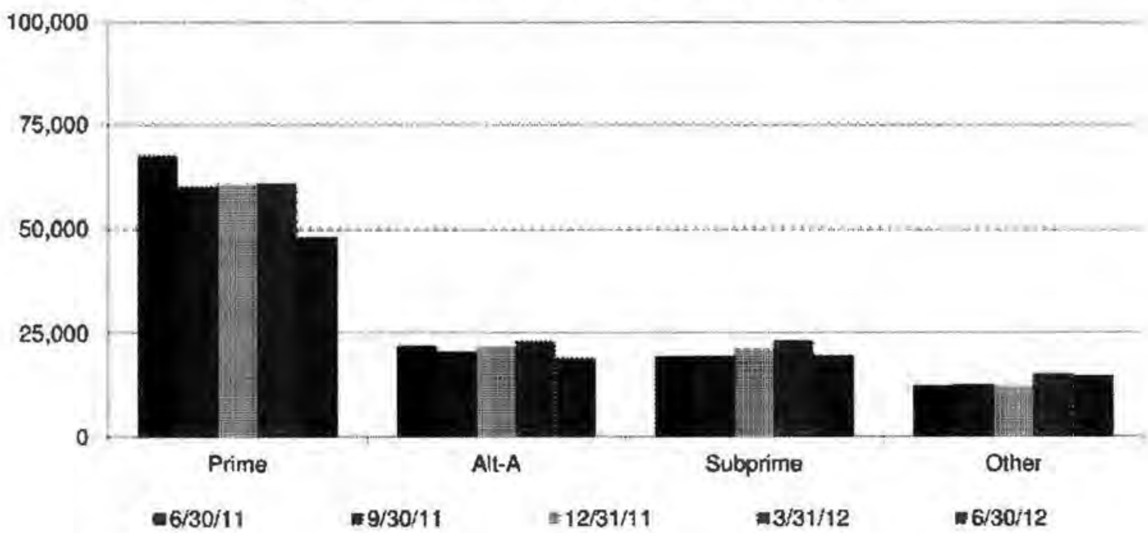


Completed Foreclosures

The number of completed foreclosures decreased to 101,735 during the quarter—down 17.3 percent from the previous quarter and 16.1 percent from a year earlier (see table 44). The quarter-to-quarter decrease in the number of completed foreclosure actions occurred among all risk classes.

Table 44. Completed Foreclosures							
Percentage of Completed Foreclosures Relative to Mortgages in That Risk Category							
	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Prime	0.3%	0.3%	0.3%	0.3%	0.2%	-20.2%	-25.4%
Alt-A	0.6%	0.6%	0.6%	0.7%	0.6%	-16.3%	-7.7%
Subprime	0.8%	0.8%	0.9%	1.0%	0.9%	-12.8%	15.3%
Other	0.3%	0.3%	0.4%	0.5%	0.5%	0.6%	49.1%
Total	0.4%	0.3%	0.4%	0.4%	0.3%	-15.8%	-9.8%
Number of Completed Foreclosures							
Prime	67,472	60,109	60,777	60,984	48,079	-21.2%	-28.7%
Alt-A	22,068	20,800	21,788	23,196	19,110	-17.6%	-13.4%
Subprime	19,368	19,605	21,230	23,373	19,673	-15.8%	1.6%
Other	12,329	12,760	12,364	15,426	14,873	-3.6%	20.6%
Total	121,237	113,294	116,159	122,979	101,735	-17.3%	-16.1%

Figure 17. **Number of Completed Foreclosures**



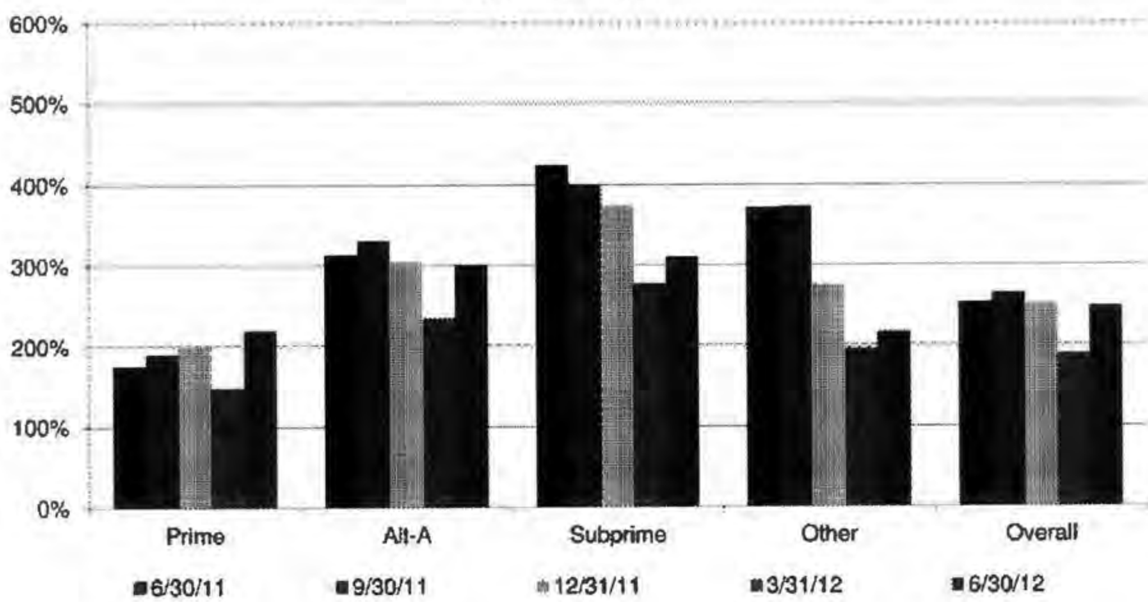
New Home Retention Actions Relative to Forfeiture Actions, by Risk Category

Home retention actions relative to home forfeitures increased during the second quarter of 2012, across all risk classes (see table 45). The percentage of new home retention actions relative to home forfeitures continued to be highest for subprime loans and lowest for prime and other loans during the second quarter of 2012. New home retention actions continued to significantly exceed home forfeitures as servicers initiated almost two and a half times as many home retention actions as home forfeiture actions during the quarter (see table 45).

Table 45. **Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Prime	175.2%	190.8%	199.2%	147.8%	219.1%	48.3%	25.0%
Alt-A	313.6%	330.9%	304.9%	234.3%	301.1%	28.5%	-4.0%
Subprime	423.7%	398.6%	374.5%	277.3%	310.3%	11.9%	-26.8%
Other	371.4%	372.4%	276.1%	196.9%	217.3%	10.4%	-41.5%
Overall	253.2%	264.7%	252.4%	190.0%	248.4%	30.7%	-1.9%

Figure 18. **Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category**



Appendixes

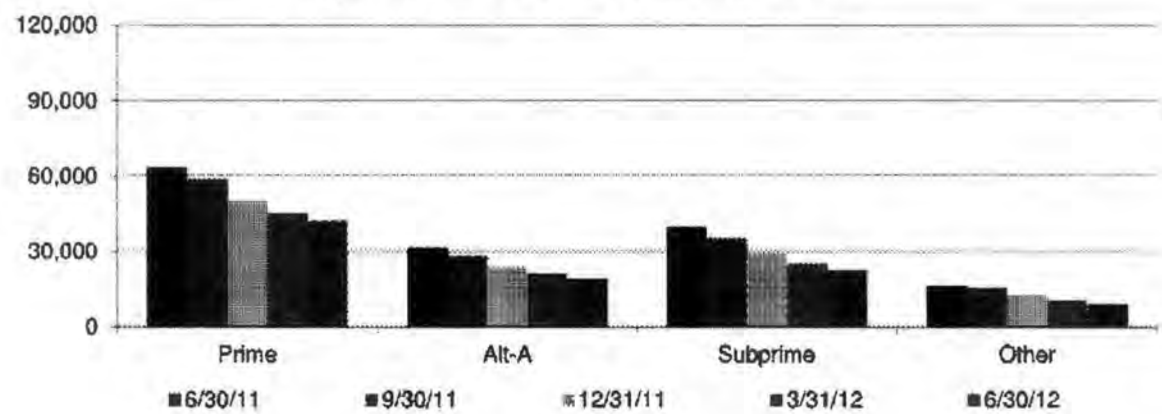
Appendix A—New Loan Modifications

There were 92,214 loan modifications implemented during the second quarter of 2012—a 9.7 percent decrease from the previous quarter and 38.7 percent decrease from a year earlier (see table 46). New modifications decreased across all risk categories during the quarter, the eighth consecutive quarterly decrease in each risk class.

Table 46. Number of New Loan Modifications

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Prime	63,466	58,856	50,478	45,170	41,798	-7.5%	-34.1%
Alt-A	31,231	28,169	23,804	21,267	18,858	-11.3%	-39.6%
Subprime	39,663	35,177	29,367	25,284	22,556	-10.8%	-43.1%
Other	16,108	15,335	12,501	10,436	9,002	-13.7%	-44.1%
Total	150,468	137,537	116,150	102,157	92,214	-9.7%	-38.7%

Figure 19. **Number of New Loan Modifications**



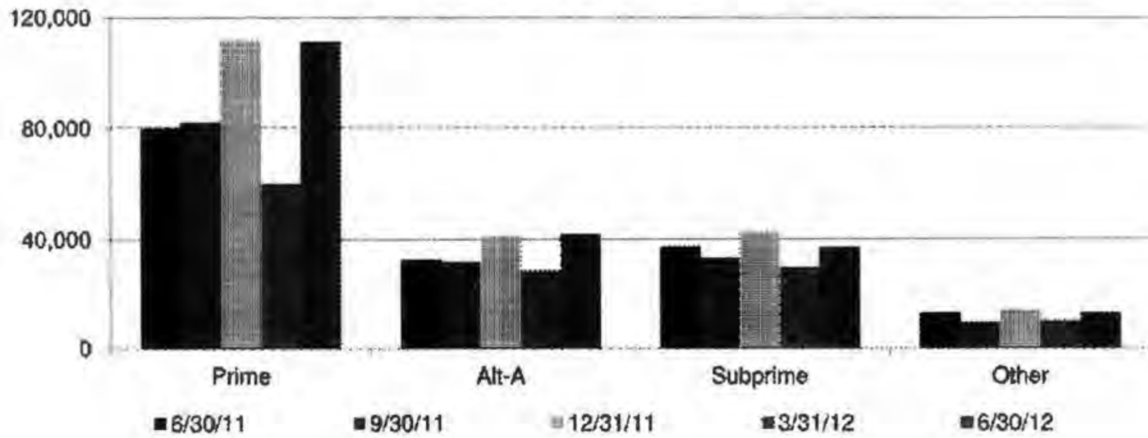
Appendix B—New Trial-Period Plans

Servicers initiated 203,972 trial-period plans during the second quarter of 2012, an increase of 58.1 percent from the previous quarter and 25.1 percent increase from a year earlier. The volatility in the number of new trial-period plans over the last three quarters was affected by changes in program terms that converted a significant number of borrowers in existing payment plans to trial-period plans, changed the timing of movement between repayment and trial-period plans, or shifted the initiation of trial-period plans between reporting periods (see table 47).

Table 47. **Number of New Trial-Period Plans**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Prime	80,012	82,191	111,968	60,432	111,366	84.3%	39.2%
Alt-A	32,771	31,838	41,357	28,596	42,209	47.6%	28.8%
Subprime	37,275	33,233	42,708	29,937	37,184	24.2%	-0.2%
Other	13,018	9,621	14,146	10,051	13,213	31.5%	1.5%
Total	163,076	156,883	210,179	129,016	203,972	58.1%	25.1%

Figure 20. **Number of New Trial-Period Plans**



Appendix C—New Payment Plans

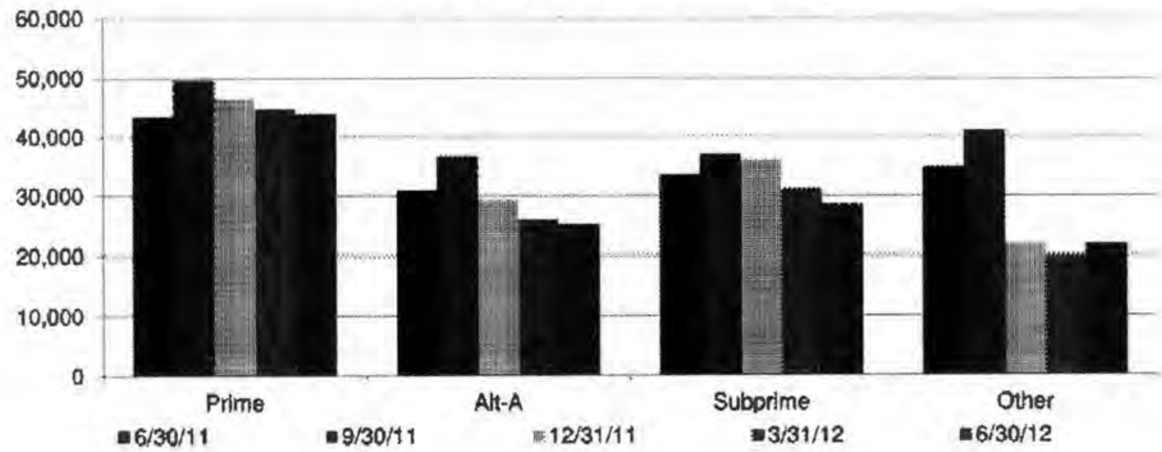
New payment plans decreased by 1.6 percent to 119,850 during the second quarter of 2012 (see table 48).

***Table 48.* Number of New Payment Plans**

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Prime	43,356	49,648	46,462	44,697	43,992	-1.6%	1.5%
Alt-A	30,957	36,756	29,280	25,953	25,190	-2.9%	-18.6%
Subprime	33,544	37,058	36,036	31,177	28,624	-8.2%	-14.7%
Other	34,821	41,104	22,103	19,988	22,044	10.3%	-36.7%
Total	142,678	164,568	133,881	121,815	119,850	-1.6%	-16.0%

*New payment plans completed in the third quarter of 2011 included a one-time increase due to a process change at some servicers that expanded the definition of payment plans to include short-term informal plans.

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



Appendix D—Breakdown of Individual and Combination Modification Actions

Servicers generally use a combination of actions to reduce monthly payments and achieve payment sustainability when modifying a mortgage. Servicers changed more than one loan term in 90.3 percent of all modifications completed during the second quarter of 2012 (see table 49).

Table 49. Changes in Terms for Modifications Made Through the Second Quarter of 2012 (Percentage of Modifications in Each Category)							
	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
Combination*	94.2%	94.4%	94.5%	95.3%	90.3%	-5.2%	-4.1%
Capitalization	1.6%	2.5%	2.8%	1.9%	1.6%	-16.6%	-2.2%
Rate Reduction	1.3%	1.2%	0.7%	0.8%	6.7%	737.5%	408.8%
Rate Freeze	0.3%	0.4%	0.0%	0.2%	0.0%	-95.9%	-95.2%
Term Extension***	0.8%	0.4%	0.4%	0.6%	0.6%	-1.9%	-33.6%
Principal Reduction	0.0%	0.0%	0.0%	0.0%	0.0%	343.1%	-34.7%
Principal Deferral	0.1%	0.0%	0.1%	0.1%	0.1%	26.4%	0.1%
Not Reported**	1.7%	1.0%	1.5%	1.2%	0.8%	-32.8%	-54.2%
(Number of Changes in Each Category)							
Combination*	141,731	129,894	109,723	97,349	83,304	-14.4%	-41.2%
Capitalization	2,383	3,487	3,284	1,902	1,429	-24.9%	-40.1%
Rate Reduction	1,971	1,682	803	813	6,146	656.0%	211.8%
Rate Freeze	389	564	24	244	9	-96.3%	-97.7%
Term Extension***	1,278	482	500	587	520	-11.4%	-59.3%
Principal Reduction	10	40	3	1	4	300.0%	-60.0%
Principal Deferral	132	61	63	71	81	14.1%	-38.6%
Not Reported**	2,574	1,327	1,750	1,190	722	-39.3%	-72.0%
All Modifications	150,468	137,537	116,150	102,157	92,214	-9.7%	-38.7%

*Combination modifications result in a change to two or more loan terms. All other modification types detailed in this table involve only the individual listed action.

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

***Increase in the first quarter of 2012 results from process changes at some servicers that improved the reporting of this data element.

Changes in Terms for Combination Modification Actions

Of the 83,304 combination modifications implemented during the second quarter of 2012 (see table 49), 90.9 percent included capitalization of missed fees and payments, 84.0 percent included interest rate reduction, and 71.1 percent included an extension of the loan maturity. Principal deferral was included in 22.8 percent of the combination modifications implemented during the quarter and principal reduction was included in 12.6 percent. Because combination modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total combination modifications (see table 50).

Table 50. Changes in Terms for Combination Modifications Through the Second Quarter of 2012

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	1Q %Change	1Y %Change
(Percentage of Modifications in Each Category)							
Capitalization	94.7%	91.0%	95.8%	94.2%	90.9%	-3.5%	-4.1%
Rate Reduction	83.0%	80.5%	82.0%	83.8%	84.0%	0.2%	1.2%
Rate Freeze	2.0%	4.4%	6.7%	6.3%	7.2%	16.5%	263.8%
Term Extension*	64.0%	60.9%	58.3%	76.7%	71.1%	-7.3%	11.2%
Principal Reduction	6.7%	8.6%	9.0%	10.7%	12.6%	18.3%	89.9%
Principal Deferral	19.7%	21.6%	25.9%	25.6%	22.8%	-11.5%	16.1%
(Total Number of Changes in Each Category)							
Capitalization	134,227	118,175	105,081	91,671	75,687	-17.4%	-43.6%
Rate Reduction	117,597	104,968	89,973	81,569	69,947	-14.2%	-40.5%
Rate Freeze	2,820	5,764	7,395	6,101	6,030	-1.2%	113.8%
Term Extension*	90,667	79,053	63,991	74,669	59,235	-20.7%	-34.7%
Principal Reduction	9,435	11,138	9,863	10,403	10,532	1.2%	11.6%
Principal Deferral	27,857	26,072	28,433	25,083	19,004	-24.2%	-31.8%

*Increase in the first quarter of 2012 results from process changes at some servicers that improved the reporting of this data element.

Appendix E—Mortgage Modification Data by State

The following tables present certain mortgage modification data by state, the District of Columbia, and U.S. territories (the latter are included in the category labeled "Other"). This data fulfills reporting requirements in the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010(Public Law 111-203).

Table 51 presents the number and percentage of HAMP modifications and other modifications in each state during the second quarter of 2012. Tables 52 and 53 present the number and percentage of each type of action included in modifications made during the quarter in each state, the District of Columbia, and U.S. territories. Tables 54 and 55 present the number and percentage of each type of action included in combination modifications made during the quarter in each state, the District of Columbia, and U.S. territories. Tables 56 and 57 present the number and percentage of modifications made during the quarter in each state, the District of Columbia, and U.S. territories by the amount of change in the borrowers' monthly principal and interest payments. Tables 58 and 59 present the number and percentage of modifications made in the fourth quarter of 2011 that were 60 or more days delinquent or in process of foreclosure at the end of the second quarter of 2012.

Table 51. Number and Percentage of Mortgage Modifications
Implemented in the Second Quarter of 2012

	HAMP Modifications		Other Modifications		Total Modifications	
States	Total	% of State Total	Total	% of State Total	Total	% of Total
Total - All States	28,279	30.7%	63,935	69.3%	92,214	100.0%
Alabama	168	19.8%	682	80.2%	850	0.9%
Alaska	16	28.1%	41	71.9%	57	0.1%
Arizona	734	29.6%	1,746	70.4%	2,480	2.7%
Arkansas	50	17.3%	239	82.7%	289	0.3%
California	8,153	40.7%	11,882	59.3%	20,035	21.7%
Colorado	378	31.3%	830	68.7%	1,208	1.3%
Connecticut	410	32.2%	864	67.8%	1,274	1.4%
Delaware	96	27.4%	255	72.6%	351	0.4%
District of Columbia	58	33.7%	114	66.3%	172	0.2%
Florida	3,340	31.3%	7,321	68.7%	10,661	11.6%
Georgia	1,115	25.4%	3,272	74.6%	4,387	4.8%
Hawaii	78	33.8%	153	66.2%	231	0.3%
Idaho	90	26.9%	245	73.1%	335	0.4%
Illinois	1,465	31.2%	3,232	68.8%	4,697	5.1%
Indiana	207	15.8%	1,100	84.2%	1,307	1.4%
Iowa	66	19.2%	278	80.8%	344	0.4%
Kansas	80	23.6%	259	76.4%	339	0.4%
Kentucky	87	15.1%	490	84.9%	577	0.6%
Louisiana	143	18.5%	629	81.5%	772	0.8%
Maine	78	36.1%	138	63.9%	216	0.2%
Maryland	787	30.6%	1,786	69.4%	2,573	2.8%
Massachusetts	600	38.4%	963	61.6%	1,563	1.7%
Michigan	522	19.4%	2,167	80.6%	2,689	2.9%
Minnesota	430	29.0%	1,055	71.0%	1,485	1.6%
Mississippi	70	15.8%	373	84.2%	443	0.5%
Missouri	254	21.9%	905	78.1%	1,159	1.3%
Montana	22	19.8%	89	80.2%	111	0.1%
Nebraska	48	21.4%	176	78.6%	224	0.2%
Nevada	436	30.6%	988	69.4%	1,424	1.5%
New Hampshire	99	31.9%	211	68.1%	310	0.3%
New Jersey	1,060	34.9%	1,974	65.1%	3,034	3.3%
New Mexico	95	26.0%	271	74.0%	366	0.4%
New York	1,826	41.5%	2,579	58.5%	4,405	4.8%
North Carolina	582	21.9%	2,071	78.1%	2,653	2.9%
North Dakota	2	7.7%	24	92.3%	26	0.0%
Ohio	411	18.4%	1,827	81.6%	2,238	2.4%
Oklahoma	72	16.3%	371	83.7%	443	0.5%
Oregon	305	32.3%	640	67.7%	945	1.0%
Pennsylvania	552	24.8%	1,675	75.2%	2,227	2.4%
Rhode Island	110	31.9%	235	68.1%	345	0.4%
South Carolina	250	21.9%	891	78.1%	1,141	1.2%
South Dakota	15	30.0%	35	70.0%	50	0.1%
Tennessee	279	23.0%	933	77.0%	1,212	1.3%
Texas	838	18.5%	3,680	81.5%	4,518	4.9%
Utah	194	29.5%	464	70.5%	658	0.7%
Vermont	24	21.4%	88	78.6%	112	0.1%
Virginia	599	28.8%	1,481	71.2%	2,080	2.3%
Washington	665	33.5%	1,318	66.5%	1,983	2.2%
West Virginia	24	16.3%	123	83.7%	147	0.2%
Wisconsin	263	27.1%	709	72.9%	972	1.1%
Wyoming	12	22.6%	41	77.4%	53	0.1%
Other	21	48.8%	22	51.2%	43	0.0%

Table 52. Number of Mortgage Modification Actions
Implemented in the Second Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	1,428	6,155	520	4	81	83,304	722	92,214
Alabama	15	21	27	0	1	780	6	850
Alaska	2	0	0	0	0	54	1	57
Arizona	24	291	2	0	6	2,139	18	2,480
Arkansas	5	9	0	0	0	274	1	289
California	259	1,483	22	3	44	18,030	194	20,035
Colorado	23	32	4	0	2	1,133	14	1,208
Connecticut	18	83	2	0	0	1,166	5	1,274
Delaware	2	24	5	0	1	319	0	351
District of Columbia	2	9	0	0	0	161	0	172
Florida	90	1,385	39	0	4	9,069	74	10,661
Georgia	83	245	41	0	4	3,967	47	4,387
Hawaii	7	5	1	0	0	213	5	231
Idaho	2	22	5	0	0	304	2	335
Illinois	38	316	14	0	1	4,306	22	4,697
Indiana	33	22	6	0	0	1,241	5	1,307
Iowa	3	6	3	0	0	329	3	344
Kansas	11	4	4	0	0	320	0	339
Kentucky	12	3	18	0	0	542	2	577
Louisiana	16	6	10	0	0	732	8	772
Maine	9	7	2	0	0	197	1	216
Maryland	49	129	11	0	3	2,356	28	2,576
Massachusetts	31	38	8	0	1	1,476	9	1,563
Michigan	51	475	25	0	0	2,122	16	2,689
Minnesota	13	120	10	0	3	1,330	9	1,485
Mississippi	10	13	11	0	0	407	2	443
Missouri	30	44	9	0	1	1,072	3	1,159
Montana	3	0	1	0	0	107	0	111
Nebraska	6	1	4	0	0	211	2	224
Nevada	15	168	4	0	1	1,222	14	1,424
New Hampshire	5	14	1	0	0	289	1	310
New Jersey	47	124	4	0	2	2,825	32	3,034
New Mexico	8	12	1	0	1	342	2	366
New York	45	164	13	0	2	4,142	39	4,405
North Carolina	57	84	50	0	0	2,446	16	2,653
North Dakota	0	1	4	0	0	20	1	26
Ohio	39	118	20	0	0	2,053	8	2,238
Oklahoma	12	6	5	0	0	416	4	443
Oregon	19	70	6	0	0	846	4	945
Pennsylvania	43	59	20	0	2	2,092	11	2,227
Rhode Island	7	25	0	0	0	310	3	345
South Carolina	21	54	12	0	0	1,044	10	1,141
South Dakota	0	1	0	0	0	49	0	50
Tennessee	26	60	20	0	0	1,100	6	1,212
Texas	137	98	25	0	0	4,232	26	4,518
Utah	12	23	2	0	0	615	6	658
Vermont	3	4	12	0	0	90	3	112
Virginia	49	92	15	0	1	1,892	31	2,080
Washington	18	156	9	1	0	1,774	25	1,983
West Virginia	4	5	3	0	0	131	4	147
Wisconsin	11	43	10	0	1	905	2	972
Wyoming	1	0	0	0	0	51	1	53
Other	0	1	0	0	0	42	0	43

Table 53. Percentage of Mortgage Modification Actions
Implemented in the Second Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	1.5%	6.7%	0.6%	0.0%	0.1%	90.3%	0.8%	92,214
Alabama	1.8%	2.5%	3.2%	0.0%	0.1%	91.6%	0.7%	850
Alaska	3.5%	0.0%	0.0%	0.0%	0.0%	94.7%	1.8%	57
Arizona	1.0%	11.7%	0.1%	0.0%	0.2%	86.3%	0.7%	2,480
Arkansas	1.7%	3.1%	0.0%	0.0%	0.0%	94.8%	0.3%	289
California	1.3%	7.4%	0.1%	0.0%	0.2%	90.0%	1.0%	20,035
Colorado	1.9%	2.6%	0.3%	0.0%	0.2%	93.8%	1.2%	1,208
Connecticut	1.4%	4.9%	0.2%	0.0%	0.0%	93.1%	0.4%	1,274
Delaware	0.6%	6.8%	1.4%	0.0%	0.3%	90.9%	0.0%	351
District of Columbia	1.2%	5.2%	0.0%	0.0%	0.0%	93.6%	0.0%	172
Florida	0.8%	13.0%	0.4%	0.0%	0.0%	85.1%	0.7%	10,861
Georgia	1.8%	5.6%	0.9%	0.0%	0.1%	90.4%	1.1%	4,387
Hawaii	3.0%	2.2%	0.4%	0.0%	0.0%	92.2%	2.2%	231
Idaho	0.6%	6.8%	1.5%	0.0%	0.0%	90.7%	0.6%	335
Illinois	0.8%	6.7%	0.3%	0.0%	0.0%	91.7%	0.5%	4,697
Indiana	2.5%	1.7%	0.5%	0.0%	0.0%	95.0%	0.4%	1,307
Iowa	0.9%	1.7%	0.9%	0.0%	0.0%	95.6%	0.9%	344
Kansas	3.2%	1.2%	1.2%	0.0%	0.0%	94.4%	0.0%	339
Kentucky	2.1%	0.5%	3.1%	0.0%	0.0%	93.9%	0.3%	577
Louisiana	2.3%	0.8%	1.3%	0.0%	0.0%	94.8%	0.8%	772
Maine	4.2%	3.2%	0.9%	0.0%	0.0%	91.2%	0.5%	216
Maryland	1.9%	5.0%	0.4%	0.0%	0.1%	91.5%	1.0%	2,579
Massachusetts	2.0%	2.4%	0.5%	0.0%	0.1%	94.4%	0.6%	1,563
Michigan	1.9%	17.7%	0.9%	0.0%	0.0%	78.9%	0.6%	2,669
Minnesota	0.9%	8.1%	0.7%	0.0%	0.2%	89.6%	0.6%	1,485
Mississippi	2.3%	2.9%	2.5%	0.0%	0.0%	91.9%	0.5%	443
Missouri	2.6%	3.8%	0.8%	0.0%	0.1%	92.5%	0.3%	1,159
Montana	2.7%	0.0%	0.9%	0.0%	0.0%	96.4%	0.0%	111
Nebraska	2.7%	0.4%	1.8%	0.0%	0.0%	94.2%	0.9%	224
Nevada	1.1%	11.8%	0.3%	0.0%	0.1%	85.8%	1.0%	1,424
New Hampshire	1.6%	4.5%	0.3%	0.0%	0.0%	93.2%	0.3%	310
New Jersey	1.5%	4.1%	0.1%	0.0%	0.1%	93.1%	1.1%	3,034
New Mexico	2.2%	3.3%	0.3%	0.0%	0.3%	93.4%	0.5%	366
New York	1.0%	3.7%	0.3%	0.0%	0.0%	94.0%	0.9%	4,465
North Carolina	2.1%	3.2%	1.9%	0.0%	0.0%	92.2%	0.6%	2,653
North Dakota	0.0%	3.8%	15.4%	0.0%	0.0%	76.9%	3.8%	26
Ohio	1.7%	5.3%	0.9%	0.0%	0.0%	91.7%	0.4%	2,238
Oklahoma	2.7%	1.4%	1.1%	0.0%	0.0%	93.9%	0.9%	443
Oregon	2.0%	7.4%	0.6%	0.0%	0.0%	89.5%	0.4%	945
Pennsylvania	1.9%	2.8%	0.9%	0.0%	0.1%	93.8%	0.5%	2,227
Rhode Island	2.0%	7.2%	0.0%	0.0%	0.0%	89.9%	0.9%	345
South Carolina	1.8%	4.7%	1.1%	0.0%	0.0%	91.5%	0.8%	1,141
South Dakota	0.0%	2.0%	0.0%	0.0%	0.0%	98.0%	0.0%	50
Tennessee	2.1%	5.0%	1.7%	0.0%	0.0%	90.8%	0.5%	1,212
Texas	3.0%	2.2%	0.6%	0.0%	0.0%	93.7%	0.6%	4,518
Utah	1.8%	3.5%	0.3%	0.0%	0.0%	93.5%	0.9%	858
Vermont	2.7%	3.6%	10.7%	0.0%	0.0%	80.4%	2.7%	112
Virginia	2.4%	4.4%	0.7%	0.0%	0.0%	91.0%	1.5%	2,060
Washington	0.8%	7.9%	0.5%	0.1%	0.0%	89.5%	1.3%	1,983
West Virginia	2.7%	3.4%	2.0%	0.0%	0.0%	89.1%	2.7%	147
Wisconsin	1.1%	4.4%	1.0%	0.0%	0.1%	93.1%	0.2%	972
Wyoming	1.9%	0.0%	0.0%	0.0%	0.0%	96.2%	1.9%	53
Other	0.0%	2.3%	0.0%	0.0%	0.0%	97.7%	0.0%	43

Table 54. Number of Modification Actions in Combination Actions
Implemented in the Second Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	75,687	75,926	59,235	10,532	19,004	83,304
Alabama	695	726	613	41	77	780
Alaska	54	50	36	1	8	54
Arizona	1,872	1,938	1,511	278	619	2,130
Arkansas	267	260	205	15	21	274
California	15,440	16,316	11,147	3,904	5,677	18,030
Colorado	1,074	1,059	808	67	172	1,133
Connecticut	1,134	1,038	818	138	253	1,186
Delaware	289	295	233	20	52	319
District of Columbia	155	135	103	18	45	161
Florida	8,086	8,145	6,242	1,844	2,648	9,069
Georgia	3,703	3,651	3,051	300	793	3,967
Hawaii	201	188	117	14	51	213
Idaho	271	262	215	21	59	304
Illinois	3,999	3,921	3,245	559	1,124	4,306
Indiana	1,169	1,152	974	69	106	1,241
Iowa	307	303	269	14	42	329
Kansas	306	293	250	16	39	320
Kentucky	494	493	429	27	30	542
Louisiana	709	671	547	27	69	732
Maine	185	172	137	12	37	197
Maryland	2,210	2,135	1,637	289	545	2,366
Massachusetts	1,430	1,307	1,028	198	391	1,476
Michigan	1,933	1,942	1,585	218	425	2,122
Minnesota	1,173	1,230	986	119	275	1,330
Mississippi	359	377	288	30	48	407
Missouri	991	1,010	801	77	112	1,072
Montana	100	97	81	4	14	107
Nebraska	195	203	163	9	16	211
Nevada	1,085	1,079	819	169	396	1,222
New Hampshire	259	255	207	35	59	289
New Jersey	2,569	2,527	2,093	397	743	2,825
New Mexico	305	309	272	21	45	342
New York	4,068	3,750	2,926	458	1,109	4,142
North Carolina	2,242	2,256	1,950	92	260	2,446
North Dakota	17	16	16	1	2	20
Ohio	1,911	1,849	1,591	128	300	2,053
Oklahoma	397	390	339	15	21	416
Oregon	759	776	604	79	193	846
Pennsylvania	1,954	1,910	1,631	130	290	2,092
Rhode Island	291	278	200	50	73	310
South Carolina	922	965	787	57	190	1,044
South Dakota	43	42	42	2	7	49
Tennessee	1,010	1,014	816	67	105	1,100
Texas	4,073	3,958	3,421	149	334	4,232
Utah	576	583	428	40	92	615
Vermont	71	83	67	4	7	90
Virginia	1,702	1,751	1,332	148	345	1,892
Washington	1,565	1,649	1,316	145	383	1,774
West Virginia	115	126	110	8	11	131
Wisconsin	848	838	683	79	174	905
Wyoming	43	46	40	1	2	51
Other	42	39	24	7	3	42

Table 55. Percentage of Modification Actions in Combination Actions
Implemented in the Second Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	90.9%	91.1%	71.1%	12.6%	22.8%	83,304
Alabama	89.1%	92.7%	78.6%	5.8%	9.9%	780
Alaska	100.0%	92.6%	66.7%	1.9%	14.8%	54
Arizona	87.5%	90.6%	70.6%	18.0%	28.9%	2,139
Arkansas	97.4%	94.9%	74.8%	5.5%	7.7%	274
California	85.6%	90.5%	61.8%	21.7%	32.6%	18,030
Colorado	94.8%	93.5%	71.3%	5.9%	15.2%	1,133
Connecticut	95.6%	91.7%	69.0%	11.7%	21.3%	1,186
Delaware	90.6%	92.5%	73.0%	6.3%	16.3%	319
District of Columbia	96.3%	85.9%	64.0%	11.2%	28.0%	161
Florida	89.2%	89.8%	68.8%	20.3%	29.2%	9,069
Georgia	93.3%	92.0%	78.9%	7.8%	20.0%	3,967
Hawaii	94.4%	88.3%	54.9%	6.6%	23.9%	213
Idaho	89.1%	92.8%	70.7%	6.9%	19.4%	304
Illinois	92.9%	91.1%	75.4%	13.0%	26.1%	4,306
Indiana	94.2%	92.8%	78.5%	5.8%	8.5%	1,241
Iowa	93.3%	92.1%	81.8%	4.3%	12.8%	329
Kansas	95.6%	91.8%	78.1%	5.0%	9.4%	320
Kentucky	91.1%	91.0%	79.2%	5.0%	5.5%	542
Louisiana	96.7%	91.7%	74.7%	3.7%	10.9%	732
Maine	93.9%	87.3%	69.5%	6.1%	18.8%	197
Maryland	93.8%	90.7%	69.5%	11.4%	23.1%	2,365
Massachusetts	96.9%	88.6%	69.6%	13.4%	26.5%	1,476
Michigan	96.4%	91.5%	74.7%	10.3%	20.0%	2,122
Minnesota	88.2%	92.5%	74.1%	8.9%	20.7%	1,330
Mississippi	88.2%	92.6%	70.8%	7.4%	11.8%	407
Missouri	92.4%	94.2%	74.7%	7.2%	10.4%	1,072
Montana	93.5%	90.7%	75.7%	6.7%	13.1%	107
Nebraska	92.4%	96.2%	77.3%	4.3%	7.6%	211
Nevada	88.3%	88.8%	57.0%	18.8%	32.4%	1,222
New Hampshire	89.6%	88.2%	71.6%	12.1%	20.4%	289
New Jersey	95.2%	89.5%	74.1%	11.9%	26.3%	2,825
New Mexico	89.2%	90.4%	79.5%	6.1%	13.2%	342
New York	94.2%	90.5%	70.6%	11.1%	26.6%	4,142
North Carolina	91.7%	92.2%	79.7%	3.8%	10.6%	2,446
North Dakota	85.0%	80.0%	90.0%	5.0%	10.0%	20
Ohio	93.1%	90.1%	77.5%	6.2%	14.6%	2,053
Oklahoma	95.4%	93.8%	81.5%	3.8%	5.0%	416
Oregon	89.7%	91.7%	71.4%	9.3%	22.8%	846
Pennsylvania	93.4%	91.3%	78.0%	6.2%	12.4%	2,092
Rhode Island	93.9%	89.7%	64.5%	16.1%	23.5%	310
South Carolina	88.3%	92.4%	75.4%	5.5%	12.5%	1,044
South Dakota	87.8%	85.7%	85.7%	4.1%	14.3%	49
Tennessee	91.8%	92.2%	74.2%	6.1%	9.5%	1,100
Texas	96.2%	93.5%	80.8%	3.5%	7.9%	4,232
Utah	93.7%	94.8%	68.6%	6.5%	15.0%	615
Vermont	78.9%	92.2%	74.4%	4.4%	7.8%	90
Virginia	90.0%	92.5%	70.4%	7.8%	18.2%	1,892
Washington	88.2%	93.0%	74.2%	8.2%	21.6%	1,774
West Virginia	87.8%	98.2%	84.0%	6.1%	8.4%	131
Wisconsin	93.7%	92.6%	75.5%	8.7%	19.2%	905
Wyoming	94.9%	90.2%	78.4%	2.0%	9.9%	51
Other	100.0%	92.9%	57.1%	16.7%	7.1%	42

Table 56. Changes in Monthly Principal and Interest Payments by State (Number)
Modifications Implemented in the Second Quarter of 2012

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	50,088	20,379	12,476	3,021	5,801	449	92,214
Alabama	408	166	185	27	60	4	850
Alaska	27	11	13	1	5	0	57
Arizona	1,284	678	312	91	106	7	2,480
Arkansas	126	65	69	3	26	0	289
California	11,415	4,679	1,990	965	914	72	20,035
Colorado	627	247	206	29	89	10	1,208
Connecticut	733	288	147	42	61	3	1,274
Delaware	178	91	56	7	19	0	351
District of Columbia	96	33	28	3	15	0	172
Florida	6,104	2,481	1,007	582	441	46	10,661
Georgia	2,342	960	689	84	278	54	4,387
Hawaii	143	40	31	1	12	4	231
Idaho	171	77	58	10	20	1	335
Illinois	2,799	936	540	142	259	21	4,697
Indiana	633	299	229	21	121	4	1,307
Iowa	166	78	72	7	20	1	344
Kansas	154	76	65	6	36	2	339
Kentucky	246	135	109	13	70	4	577
Louisiana	342	177	149	12	90	2	772
Maine	122	40	28	6	19	1	216
Maryland	1,326	555	440	53	184	15	2,573
Massachusetts	969	287	174	44	83	6	1,563
Michigan	1,402	582	348	88	161	8	2,589
Minnesota	769	400	191	38	74	13	1,485
Mississippi	217	82	93	9	39	3	443
Missouri	565	246	215	31	97	5	1,159
Montana	47	23	28	1	12	0	111
Nebraska	111	45	36	4	27	1	224
Nevada	780	354	166	68	52	4	1,424
New Hampshire	186	61	35	9	18	1	310
New Jersey	1,790	552	393	79	191	29	3,034
New Mexico	186	77	64	5	33	1	366
New York	2,798	751	481	123	232	20	4,405
North Carolina	1,278	548	534	36	236	21	2,653
North Dakota	9	5	7	2	2	1	26
Ohio	1,129	499	362	51	192	5	2,238
Oklahoma	194	112	75	6	54	2	443
Oregon	519	222	124	14	62	4	945
Pennsylvania	1,161	455	366	30	199	16	2,227
Rhode Island	194	69	33	29	19	1	345
South Carolina	565	286	197	18	68	7	1,141
South Dakota	29	9	9	1	2	0	50
Tennessee	616	232	230	18	109	7	1,212
Texas	2,065	886	969	55	535	8	4,516
Utah	313	165	113	18	47	2	658
Vermont	57	16	16	12	7	4	112
Virginia	1,033	483	336	56	162	10	2,080
Washington	1,004	544	278	42	105	10	1,983
West Virginia	69	26	31	5	15	1	147
Wisconsin	541	171	152	26	74	8	972
Wyoming	34	12	12	0	5	0	63
Other	27	7	7	0	2	0	43

Table 57. Changes in Monthly Principal and Interest Payments (Percentage)
Modifications Implemented During the Second Quarter of 2012

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	54.3%	22.1%	13.5%	3.3%	6.3%	0.5%	92,214
Alabama	48.0%	19.5%	21.8%	3.2%	7.1%	0.5%	850
Alaska	47.4%	19.3%	22.8%	1.8%	8.8%	0.0%	57
Arizona	51.8%	27.3%	12.6%	3.7%	4.4%	0.3%	2,480
Arkansas	43.6%	22.5%	23.9%	1.0%	9.0%	0.0%	289
California	57.0%	23.4%	9.9%	4.8%	4.6%	0.4%	20,035
Colorado	51.9%	20.4%	17.1%	2.4%	7.4%	0.8%	1,208
Connecticut	57.5%	21.0%	11.5%	3.3%	6.4%	0.2%	1,274
Delaware	50.7%	25.9%	16.0%	2.0%	5.4%	0.0%	351
District of Columbia	54.1%	19.2%	16.3%	1.7%	8.7%	0.0%	172
Florida	57.3%	23.3%	9.4%	5.5%	4.1%	0.4%	10,661
Georgia	53.4%	21.9%	15.2%	1.9%	6.3%	1.2%	4,397
Hawaii	61.9%	17.3%	13.4%	0.4%	5.2%	1.7%	231
Idaho	51.0%	23.0%	16.7%	3.0%	6.0%	0.3%	336
Illinois	59.6%	19.9%	11.5%	3.0%	5.5%	0.4%	4,697
Indiana	48.4%	22.9%	17.5%	1.6%	9.3%	0.3%	1,307
Iowa	48.3%	22.7%	20.9%	2.0%	5.8%	0.3%	344
Kansas	45.4%	22.4%	19.2%	1.8%	10.6%	0.6%	339
Kentucky	42.6%	23.4%	18.9%	2.3%	12.1%	0.7%	577
Louisiana	44.3%	22.9%	19.3%	1.5%	11.7%	0.3%	772
Maine	56.5%	18.5%	13.0%	2.8%	8.8%	0.5%	216
Maryland	51.5%	21.6%	17.1%	2.1%	7.2%	0.6%	2,573
Massachusetts	62.0%	18.4%	11.1%	2.8%	5.3%	0.4%	1,563
Michigan	52.1%	25.4%	12.9%	3.3%	6.0%	0.3%	2,689
Minnesota	51.8%	26.9%	12.9%	2.6%	5.0%	0.9%	1,485
Mississippi	49.0%	18.5%	21.0%	2.0%	8.8%	0.7%	443
Missouri	48.7%	21.2%	18.6%	2.7%	8.4%	0.4%	1,159
Montana	42.3%	20.7%	25.2%	0.9%	10.8%	0.0%	111
Nebraska	49.6%	20.1%	16.1%	1.8%	12.1%	0.4%	224
Nevada	54.6%	24.9%	11.7%	4.8%	3.7%	0.3%	1,424
New Hampshire	60.0%	19.7%	11.3%	2.9%	5.8%	0.3%	310
New Jersey	58.0%	18.2%	13.0%	2.6%	6.3%	1.0%	3,034
New Mexico	50.8%	21.0%	17.5%	1.4%	9.0%	0.3%	366
New York	63.5%	17.0%	10.9%	2.8%	5.3%	0.5%	4,405
North Carolina	48.2%	20.7%	20.1%	1.4%	8.9%	0.8%	2,653
North Dakota	34.6%	19.2%	26.9%	7.7%	7.7%	3.8%	26
Ohio	50.4%	22.3%	16.2%	2.3%	8.6%	0.2%	2,238
Oklahoma	43.8%	25.3%	16.9%	1.4%	12.2%	0.5%	443
Oregon	54.9%	23.5%	13.1%	1.5%	6.6%	0.4%	945
Pennsylvania	52.1%	20.4%	16.4%	1.3%	9.0%	0.7%	2,227
Rhode Island	56.2%	20.0%	9.6%	8.4%	5.5%	0.3%	345
South Carolina	49.5%	23.3%	17.3%	1.6%	7.7%	0.6%	1,141
South Dakota	58.0%	18.0%	18.0%	2.0%	4.0%	0.0%	50
Tennessee	51.0%	19.1%	19.0%	1.3%	9.0%	0.6%	1,212
Texas	45.7%	19.6%	21.4%	1.2%	11.8%	0.2%	4,518
Utah	47.6%	25.1%	17.2%	2.7%	7.1%	0.3%	658
Vermont	50.9%	14.3%	14.3%	10.7%	6.3%	3.6%	112
Virginia	49.7%	23.2%	16.2%	2.7%	7.6%	0.5%	2,089
Washington	50.6%	27.4%	14.0%	2.1%	5.3%	0.5%	1,983
West Virginia	46.9%	17.7%	21.1%	3.4%	10.2%	0.7%	147
Wisconsin	55.7%	17.6%	15.6%	2.7%	7.6%	0.8%	972
Wyoming	45.3%	22.6%	22.6%	0.0%	9.4%	0.0%	53
Other	62.8%	16.3%	16.3%	0.0%	4.7%	0.0%	43

Table 58. Number of Re-Defaults for Loans Modified in the Fourth Quarter of 2011
(60 or More Days Delinquent After 6 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	5,731	2,840	3,756	222	2,665	155	15,369
Alabama	58	44	41	6	36	0	185
Alaska	1	2	3	0	4	0	10
Arizona	153	69	91	4	58	1	376
Arkansas	21	18	18	2	13	2	74
California	1,092	339	358	52	333	21	2,195
Colorado	63	43	54	1	36	1	198
Connecticut	72	39	52	0	34	3	200
Delaware	20	12	30	0	15	0	77
District of Columbia	12	6	10	0	3	0	31
Florida	627	212	237	24	170	24	1,294
Georgia	242	175	234	11	143	10	815
Hawaii	21	3	6	0	5	0	35
Idaho	22	11	18	0	14	1	66
Illinois	302	131	193	6	145	6	783
Indiana	90	66	82	4	69	2	313
Iowa	22	26	19	1	22	1	91
Kansas	27	21	20	2	18	0	88
Kentucky	32	26	31	1	26	1	117
Louisiana	68	31	53	1	39	1	193
Maine	12	13	16	0	6	0	47
Maryland	176	85	144	7	77	3	495
Massachusetts	121	49	63	2	58	2	295
Michigan	159	68	106	7	102	8	450
Minnesota	91	40	42	0	41	2	216
Mississippi	28	23	27	4	23	1	106
Missouri	79	71	74	4	47	1	276
Montana	7	5	7	0	6	0	25
Nebraska	10	14	8	2	8	0	42
Nevada	144	37	50	3	29	2	265
New Hampshire	24	13	11	0	10	0	58
New Jersey	234	102	143	3	99	8	589
New Mexico	19	12	28	1	11	0	71
New York	265	146	148	9	106	8	697
North Carolina	154	104	176	8	105	5	552
North Dakota	0	2	0	0	1	0	3
Ohio	143	100	144	6	87	3	483
Oklahoma	29	25	36	2	28	1	121
Oregon	47	25	33	2	22	2	131
Pennsylvania	171	97	115	9	95	3	490
Rhode Island	18	9	12	0	7	2	48
South Carolina	75	50	58	3	38	4	228
South Dakota	3	7	4	0	1	1	16
Tennessee	79	36	110	3	68	0	296
Texas	291	199	353	13	231	11	1,098
Utah	30	36	40	3	18	0	127
Vermont	7	4	3	2	3	0	19
Virginia	122	72	93	9	61	3	360
Washington	141	71	92	0	46	4	354
West Virginia	16	8	8	0	19	1	46
Wisconsin	65	41	55	5	42	4	212
Wyoming	3	1	1	0	3	0	8
Other	1	1	1	0	0	2	5

Table 59. Re-Default Rates for Loans Modified in the Fourth Quarter of 2011 (Percentage)
(60 or More Days Delinquent After 6 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	8.6%	15.0%	22.2%	26.6%	30.0%	14.3%	13.5%
Alabama	14.5%	20.2%	22.2%	20.7%	32.1%	0.0%	19.4%
Alaska	3.6%	15.4%	15.0%	0.0%	33.3%	0.0%	13.5%
Arizona	8.0%	14.8%	21.3%	30.6%	26.7%	5.3%	12.3%
Arkansas	16.4%	20.7%	23.7%	66.7%	30.2%	40.0%	21.6%
California	6.2%	10.8%	14.0%	40.3%	24.1%	12.6%	8.8%
Colorado	7.7%	14.4%	18.8%	12.5%	27.3%	5.6%	12.6%
Connecticut	8.4%	15.2%	24.4%	0.0%	29.6%	14.3%	13.6%
Delaware	10.8%	14.5%	35.7%	0.0%	38.5%	0.0%	19.5%
District of Columbia	9.8%	14.8%	33.3%	0.0%	17.6%	0.0%	14.7%
Florida	7.9%	13.4%	19.3%	36.9%	25.4%	16.3%	11.1%
Georgia	9.3%	19.0%	25.4%	18.0%	35.5%	26.3%	16.5%
Hawaii	10.8%	5.6%	14.0%	0.0%	25.0%	0.0%	11.1%
Idaho	9.6%	11.8%	22.0%	0.0%	27.5%	33.3%	14.3%
Illinois	8.2%	14.0%	24.3%	22.2%	33.6%	7.1%	13.2%
Indiana	12.7%	15.8%	25.4%	15.4%	31.9%	11.8%	18.5%
Iowa	11.5%	26.0%	21.3%	50.0%	33.8%	16.7%	20.0%
Kansas	12.2%	18.6%	20.8%	33.3%	40.9%	0.0%	18.1%
Kentucky	10.3%	15.9%	18.5%	7.7%	33.8%	25.0%	15.9%
Louisiana	16.0%	18.1%	22.5%	9.1%	28.9%	20.0%	19.1%
Maine	6.5%	23.6%	29.6%	0.0%	19.4%	0.0%	14.3%
Maryland	9.0%	14.3%	23.7%	28.0%	29.6%	9.4%	14.1%
Massachusetts	9.6%	13.3%	21.7%	28.6%	36.0%	8.7%	14.0%
Michigan	9.4%	19.0%	28.2%	25.9%	34.2%	17.4%	14.8%
Minnesota	10.4%	13.3%	17.0%	0.0%	26.1%	10.0%	13.4%
Mississippi	12.1%	26.1%	28.7%	33.3%	42.6%	50.0%	21.2%
Missouri	11.1%	22.8%	26.7%	26.7%	32.6%	10.0%	18.8%
Montana	8.1%	15.2%	21.9%	0.0%	31.6%	0.0%	14.4%
Nebraska	8.8%	23.3%	21.6%	100.0%	32.0%	0.0%	17.6%
Nevada	10.0%	12.9%	22.5%	30.0%	30.5%	18.2%	12.9%
New Hampshire	10.2%	16.7%	15.9%	0.0%	27.8%	0.0%	13.6%
New Jersey	10.2%	14.8%	24.5%	16.7%	33.3%	18.2%	15.0%
New Mexico	8.9%	12.8%	26.9%	12.5%	29.7%	0.0%	15.6%
New York	7.5%	16.1%	19.7%	29.0%	26.3%	9.6%	11.8%
North Carolina	11.2%	17.0%	29.1%	16.0%	31.8%	22.7%	18.4%
North Dakota	0.0%	22.2%	0.0%	0.0%	100.0%	0.0%	10.0%
Ohio	10.7%	16.3%	25.4%	20.7%	28.6%	10.3%	16.8%
Oklahoma	13.7%	18.8%	26.1%	40.0%	30.1%	16.7%	21.0%
Oregon	7.3%	12.1%	18.9%	40.0%	24.2%	18.2%	11.5%
Pennsylvania	11.7%	17.8%	24.2%	39.1%	32.4%	12.0%	17.3%
Rhode Island	7.0%	12.0%	23.1%	0.0%	30.4%	33.3%	11.6%
South Carolina	10.9%	16.9%	21.7%	17.6%	23.9%	22.2%	15.8%
South Dakota	15.8%	38.9%	28.6%	0.0%	25.0%	33.3%	27.1%
Tennessee	11.1%	12.5%	32.1%	14.3%	40.0%	0.0%	19.2%
Texas	11.8%	17.7%	29.2%	35.1%	34.9%	30.6%	19.8%
Utah	6.8%	17.7%	20.6%	33.3%	24.7%	0.0%	13.7%
Vermont	12.7%	17.4%	15.8%	28.6%	27.3%	0.0%	16.5%
Virginia	8.2%	15.0%	19.9%	40.9%	30.5%	18.8%	14.3%
Washington	9.8%	15.4%	24.2%	0.0%	26.9%	14.8%	14.3%
West Virginia	17.0%	16.3%	18.2%	0.0%	37.1%	50.0%	20.0%
Wisconsin	10.8%	15.2%	23.3%	25.0%	33.9%	13.8%	16.5%
Wyoming	11.1%	7.1%	7.7%	0.0%	23.1%	0.0%	11.9%
Other	2.4%	5.9%	4.5%	0.0%	0.0%	100.0%	6.0%

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Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

November 14, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510-6075

Dear Chairman Johnson:

I am writing in response to your letter dated October 16, 2012, regarding the findings of the independent review of the examination process for community banks and credit unions conducted by the Department of the Treasury Inspector General for the Office of the Comptroller of the Currency (OCC) and the Inspectors General (collectively the IGs) for the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), and National Credit Union Administration. The IG's review of the examination process focused on examination timeliness, consistency in the administration of examinations across the country, and the ability of regulated institutions to appeal their examination results.

We have carefully reviewed the Department of Treasury's Office of the Inspector General's Audit Report (Audit Report), dated August 31, 2012, which contained the Review of OCC Community Bank Examination and Appeals Processes. We concur with the Audit Report's conclusion that: (1) the OCC's four districts established timeliness benchmarks for examinations that were generally consistent, and mostly met; (2) OCC examiners in all districts utilize the Comptroller's Handbook and the Uniform Financial Institutions Rating System, or "CAMELS" to promote consistency in the examination process; (3) OCC districts had quality assurance (QA) programs to monitor and evaluate the administration of examinations; (4) banks have the ability to question examination results formally and informally through the OCC Ombudsman and the district supervisory offices; and (5) community banks made few appeals.

The OCC is acutely aware that our actions – both through our supervisory policies and through our on-site examinations – can and do influence banks' behavior and appetite for taking risk. For that reason, we constantly stress to our examiners the importance of taking a balanced and consistent approach in our examinations, clearly communicating the basis for their conclusions, and providing bank management reasonable time frames to implement required corrective actions. We have conveyed this message through a variety of channels, including periodic nationwide teleconferences with our field staff and internal supervisory memoranda.

You have requested feedback on the reasons for the low usage of formal appeals by regulated institutions, including whether the OCC ensures that the institutions are routinely made aware of the ability to appeal examination results at the examination exit meeting. You also requested our comments on any plans the OCC may have to improve awareness of the examination appeals process and the dialogue between the OCC and regulated institution's staff. Further, you requested that we describe how the OCC ensures deadlines for filing appeals are communicated effectively to its community banks and thrifts.

We continue to believe that by addressing banks' concerns at the earliest opportunity, we lessen the need to file formal appeals. The IG report stated 24 informal appeals were resolved by the OCC's field offices between 2007 and 2011. During that same period, the OCC Ombudsman's office staff responded to over 40 inquiries from bankers and their legal counsel on specific issues of disagreement as well as the mechanics of the appeal process. The OCC Ombudsman held 13 informal discussions with bankers based on preliminary conclusions and final decisions. During these conversations, we are able to provide callers with the specific regulatory standards related to their issues. We have often heard bankers say that once they understood the applicable standards, the matter did not warrant a formal appeal. Beyond these interactions that are formally tracked, there are frequent discussions between bankers and our local supervisory offices to resolve differences of opinion that arise during the examination process. We are instituting a more comprehensive tracking system to capture the full extent of our efforts to resolve disagreements at the local office level.

The OCC ensures institutions are aware of the appeals process through our Web site www.occ.gov, the National Bank Appeals brochure, OCC Bulletin 2011-44 Bank Appeals Process, and outreach activities with bankers. Although discussion of the appeals process is not required during the exit meeting, examiners are well aware of it and routinely inform bankers of the process when disagreements arise. In fact, the Uniform Commission Examination that an OCC examiner must pass in order to be commissioned as a National Bank Examiner includes questions to confirm that the candidate understands the appeals process. OCC representatives participate in numerous industry outreach activities throughout the year. The appeals process is a frequent topic of discussion during those meetings.

While we believe there are already sufficient imbedded opportunities in our bank supervision process to promote awareness of the appeal process, we are currently evaluating options for a formal notification mechanism at the conclusion of each examination. The OCC currently does not have a deadline for filing an appeal. We are proposing a deadline of 60 days (after receipt of the decision in disagreement) with the new policy revisions.

The IG's Audit Report recommended we update our bank appeal policies and procedures to include the responsibilities of both the Ombudsman's Office and the supervisory district offices. The report also recommended that we ensure the guidance provides consistency in the interpretation, application, and documentation of the appeals process. We plan to issue revised policies and procedures that address these recommendations by year-end 2012.

In response to the IG's Audit Report Data Quality recommendation that we ensure our personnel enter accurate and complete dates into "Examiner View" to improve the ability to monitor and measure examination timeliness against benchmarks, we have incorporated a data integrity metric into the performance measures for bank supervision personnel to focus the staff's attention on this important aspect of their duties.

Thank you for sharing the concerns you have heard from community banks that examinations were being conducted inconsistently and may be impeding their efforts to provide financial services to local communities. I can assure you that we are committed to carrying out our supervisory responsibilities in a consistent manner that is well-calibrated to smaller institutions.

I hope this letter is responsive to your concerns. If you have questions or need additional information, please feel free to contact me or Carrie Moore, Director for Congressional Liaison, at 202-874-4844.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

December 13, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We are pleased to transmit the enclosed report on differences in accounting and capital standards among the federal banking agencies. This joint report is prepared by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, "the federal banking agencies") as required by Section 37(c) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(c)), as amended.

The report describes the differences among the federal banking agencies' accounting and capital standards as of December 31, 2011, and covers calendar years 2010 and 2011. The report will be published in the ***Federal Register***. If you or members of your staff have questions regarding this report, please contact us.

Sincerely,

Daniel K. Tarullo,
Governor
Board of Governors of the
Federal Reserve System

Martin J. Gruenberg,
Chairman
Federal Deposit Insurance
Corporation

Thomas J. Curry,
Comptroller of the Currency
Office of the Comptroller of the Currency

Enclosure

Report to the Committee on Financial Services of the U.S. House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate Regarding Differences in Accounting and Capital Standards Among the Federal Banking Agencies

Introduction

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) must jointly submit an annual report to the Committee on Financial Services of the U.S. House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate describing differences between the accounting and capital standards used by the agencies. The report must be published in the Federal Register.

Prior to 2011, the Office of Thrift Supervision (OTS) joined the agencies in submitting an annual report to Congress. Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376 (2010) (Dodd-Frank Act), transferred the powers, authorities, rights and duties of the OTS to other federal banking agencies on July 21, 2011 (the transfer date), and the OTS was abolished 90 days later. Under Title III, the OCC assumed all functions of the OTS and the Director of the OTS relating to federal savings associations, and thus the OCC has responsibility for the ongoing supervision, examination, and regulation of federal savings associations as of the transfer date. Title III transferred all supervision, examination, and certain regulatory functions of the OTS relating to state savings associations to the FDIC and all functions relating to the supervision of any savings and loan holding company and non-depository institution subsidiaries of such holding companies to the Board. Accordingly, this report is being submitted by the OCC, Board, and FDIC.

The agencies are submitting this joint report, which covers differences between their uses of accounting or capital standards existing as of December 31, 2011, pursuant to section 37(c) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(c)), as amended. This report covers 2010 and 2011 and describes capital differences similar to those presented in previous reports.[1]

Since the agencies filed their first reports on accounting and capital differences in 1990, the agencies have acted in concert to harmonize their accounting and capital standards and eliminate as many differences as possible. Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4803) also directs the agencies to work jointly to make uniform all regulations and guidelines implementing common statutory or supervisory policies. The results of these efforts must be "consistent with the principles of safety and soundness, statutory law and policy, and the public interest."[2] In recent years, the agencies have revised their capital standards to address changes in credit and certain other risk exposures within the banking system and align the amount of capital institutions are required to hold more closely with the credit risks and certain other risks to which they are exposed. These revisions have been made in a uniform manner whenever possible and practicable to minimize interagency differences. Although the differences in capital standards have diminished over time, a few differences remain, some of which are statutorily mandated.

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[1] See, e.g., 75 FR 47900 (August 9, 2010).
[2] 12 U.S.C. 4803(a).

In addition to the specific differences in capital standards noted below, the agencies may have differences in how they apply certain aspects of their rules. These differences usually arise as a result of case-specific inquiries that have been presented to only one agency. Agency staffs generally seek to minimize these occurrences by coordinating responses to the fullest extent reasonably practicable. Furthermore, while the agencies work together to adopt and apply generally uniform capital standards, there are wording differences in various provisions of the agencies' standards that largely date back to each agency's separate initial adoption of these standards before 1990.

The federal banking agencies have substantially similar capital adequacy standards.[3] These standards are based on a common regulatory framework that establishes minimum leverage and risk-based capital ratios for depository institutions[4] (banks and savings associations). The agencies view the leverage and risk-based capital requirements as minimum standards, and most institutions generally are expected to operate with capital levels well above the minimums, particularly those institutions that are expanding or experiencing unusual or high levels of risk.

The agencies note that, with respect to the agencies' advanced approaches capital adequacy framework based on Basel II,[5] there are no significant differences across the agencies' rules because the agencies adopted a joint rule establishing a common

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[3] The agencies' general risk-based capital rules are at 12 CFR part 3 (for national banks) and 12 CFR part 167.6 (for federal savings associations); 12 CFR parts 208 and 225, appendix A (Board); 12 CFR part 325, appendix A (FDIC); and 12 CFR part 390, subpart Z (state savings associations).

[4] 12 U.S.C. 1813(c).

[5] The agencies' advanced approaches rules are at 12 CFR part 3, appendix C (national banks) and 12 CFR part 167, appendix C (federal savings associations);12 CFR part 208, appendix F, and 12 CFR part 225, appendix G (Board); 12 CFR part 325, appendix D (FDIC); and 12 CFR part 390, subpart Z, appendix A (state savings associations).

advanced approaches framework in December 2007,[6] with subsequent joint revisions.[7] Therefore, the risk-based capital differences described below pertain to the agencies' Basel I-based risk-based capital standards.[8]

With respect to reporting standards, the OCC, the Board, and the FDIC, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), have developed the uniform Consolidated Reports of Condition and Income (Call Report) for all insured commercial banks and certain state-chartered savings banks. The OTS required OTS-supervised savings associations and certain state-chartered savings banks to file the Thrift Financial Report (TFR). The reporting standards for recognition and measurement of regulatory capital in the Call Report and the TFR were consistent with U.S. generally accepted accounting principles. There were no significant differences in regulatory accounting standards for regulatory reports filed with the federal banking agencies. In 2011, the agencies required changes to the reporting requirements for savings associations.[9] The changes (which are described in greater detail below) include a transition from the quarterly TFR to the quarterly Call Report.

Differences in Capital Standards Among the Federal Banking Agencies

Financial Subsidiaries

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[6] See 72 FR 69288 (December 7, 2007).

[7] See 76 FR 37620 (June 28, 2011). Some minor differences remain in the application of the advanced approaches rule to savings associations, as statutorily mandated.

[8] On August 30, 2012, the agencies issued three proposed rules that would revise and replace the agencies' current capital rules. See 77 FR 52792, 77 FR 52888, 77 FR52978. If the proposed rules were adopted as final rules, a majority of the non-statutory differences described in this report would be eliminated.

[9] See 76 FR 39981 (July 7, 2011).

The Gramm-Leach-Bliley Act (GLBA), also known as the Financial Services Modernization Act of 1999, established the framework for financial subsidiaries of banks.[10] GLBA amended the Revised Statutes to permit national banks to conduct certain expanded financial activities through financial subsidiaries. Section 5136A of the Revised Statutes (12 U.S.C. 24a) imposes a number of conditions and requirements upon national banks that have financial subsidiaries, including the regulatory capital treatment applicable to equity investments in such subsidiaries. The statute requires that a national bank deduct from assets and tangible equity the aggregate amount of its equity investments in financial subsidiaries. The statute further requires that the financial subsidiary's assets and liabilities not be consolidated with those of the parent national bank for applicable capital purposes.

State member banks may have financial subsidiaries subject to the same restrictions that apply to national banks.[11] State nonmember banks may also have financial subsidiaries, but they are subject only to a subset of the statutory requirements that apply to national banks and state member banks.[12]

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[10] A national bank that has a financial subsidiary must satisfy a number of statutory requirements in addition to the capital deduction and deconsolidation requirements described in the text. The bank (and each of its depository institution affiliates) must be well capitalized and well managed. Asset size restrictions apply to the aggregate amount of the assets of the bank's financial subsidiaries. Certain debt rating requirements apply, depending on the size of the national bank. The national bank is required to maintain policies and procedures to protect the bank from financial and operational risks presented by the financial subsidiary. It is also required to have policies and procedures to preserve the corporate separateness of the financial subsidiary and the bank's limited liability. Finally, transactions between the bank and its financial subsidiary generally must comply with the Federal Reserve Act (FRA) restrictions on affiliate transactions, and the financial subsidiary is considered an affiliate of the bank for purposes of the anti-tying provisions of the Bank Holding Company Act. See 12 U.S.C. 5136A.

[11] See 12 U.S.C. 335 (state member banks are subject to the "same conditions and limitations" that apply to national banks that hold financial subsidiaries).

[12] The applicable statutory requirements for state nonmember banks are as follows: the bank (and each of its insured depository institution affiliates) must (1) be well capitalized, (2) comply with the capital deduction and deconsolidation requirements, and (3) satisfy the requirements for policies and procedures to protect the bank from financial and operational risks and to preserve corporate separateness and limited liability for the bank. In addition, the statute requires that any transaction between the bank and a

The OCC, the FDIC, and the Board adopted final rules implementing their respective provisions arising from section 121 of the GLBA for national banks in March 2000, for state nonmember banks in January 2001, and for state member banks in August 2001. The GLBA did not provide new authority to savings associations to own, hold, or operate financial subsidiaries, as defined, and thus the capital rules for savings associations do not contain parallel provisions.

Non-financial Subsidiaries and Subordinate Organizations of Savings Associations

Banks supervised by the OCC, the Board, and the FDIC generally consolidate all significant majority-owned subsidiaries other than financial subsidiaries for regulatory capital purposes. For subsidiaries other than financial subsidiaries that are not consolidated on a line-by-line basis for financial reporting purposes, joint ventures, and associated companies, the parent banking organization's investment in each such subordinate organization is, for risk-based capital purposes, deducted from capital or assigned to the 100 percent risk-weight category, depending upon the circumstances. The Board's and the FDIC's rules also permit banks to consolidate the investment on a pro rata basis under appropriate circumstances.

The capital regulations for savings associations are different in some respects because of statutory requirements. A statutorily-mandated distinction is drawn between subsidiaries, which generally are majority-owned, that are engaged in activities that are permissible for national banks and those that are engaged in activities impermissible for national banks.[13] When subsidiaries engage in activities that are impermissible for

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subsidiary that would be classified as a financial subsidiary generally shall be subject to the affiliate transactions restrictions of the FRA. See 12 U.S.C. 1831w.

[13] See 12 U.S.C. 1464(t)(5).

national banks, the regulations governing savings associations require deduction of the parent's investment in these subsidiaries from the capital of the parent organization. If a subsidiary's activities are permissible for a national bank, that subsidiary's assets are generally consolidated with those of the parent organization on a line-by-line basis. If a subordinate organization, other than a subsidiary, engages in impermissible activities, investments in and loans to that organization generally are deducted from the savings association's capital.[14] If a subordinate organization engages solely in permissible activities, depending on the nature and risk of the activity, investments in and loans to that organization may be assigned either to the 100 percent risk-weight category or deducted from capital.

Leverage Ratio Denominator

Banks supervised by the Board, the OCC, and the FDIC use average total assets to calculate the denominator of the leverage ratio. In contrast, savings associations use quarter-end total assets. Under the rules governing the reservation of authority for savings associations, the OCC and the FDIC reserve the right to require federal and state savings associations, respectively, to compute capital ratios on the basis of average, rather than period-end, assets.[15]

Collateralized Transactions

The risk-based capital rules of the Board assign a zero percent risk weight to claims collateralized by cash on deposit in the institution or by securities issued or guaranteed by U.S. Government agencies or the central governments of countries that are

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[14] The definitions of subsidiary and subordinate organization are provided in 12 CFR 159.2 (federal savings associations) and 12 CFR 390.251 (state savings associations).

[15] See 12 CFR 167.11(b) (federal savings associations) and 12 CFR 390.470(b) (state savings associations).

members of the Organization for Economic Cooperation and Development (OECD), provided there is daily mark-to-market of collateral and maintenance of a positive margin of collateral. The OCC rules with respect to national banks incorporate similar conditions for such collateralized claims eligible for a zero percent risk weight. However, while the Board's rules require such claims to be fully collateralized, the OCC's rules governing national banks permit partial collateralization.

Under the FDIC rules for state nonmember banks and the FDIC and OCC rules for state and federal savings associations, respectively, portions of claims collateralized by cash or by securities issued or guaranteed by OECD central governments or U.S. Government agencies receive a 20 percent risk weight. However, these institutions may assign a zero percent risk weight for claims on certain qualifying securities firms that are collateralized by cash on deposit in the institution or by securities issued or guaranteed by the U.S. Government, U.S. Government agencies, or other OECD central governments.

Noncumulative Perpetual Preferred Stock

Under the agencies' capital standards, noncumulative perpetual preferred stock is a component of tier 1 capital. The capital standards of the Board, the FDIC with respect to state nonmember banks, and the OCC with respect to national banks, require noncumulative perpetual preferred stock to give the issuer the option to waive the payment of dividends and provide that waived dividends neither accumulate to future periods nor represent a contingent claim on the issuer.

As a result of these requirements, under the risk-based capital rules of the OCC (with respect to national banks), the Board, or the FDIC, if a bank issues perpetual preferred stock and is required to pay dividends in a form other than cash (e.g., dividends in the form of stock, when cash dividends are not or cannot be paid and when the bank does not have the option to waive or eliminate dividends), the perpetual preferred stock would not qualify as noncumulative. Under the capital requirements for savings associations, a savings association may request supervisory approval to treat perpetual preferred stock as noncumulative if it requires the payment of dividends in the form of stock when cash dividends are not paid.

Equity Securities of Government-sponsored Enterprises

The risk-based capital rules of the Board and the FDIC and the capital regulations governing savings associations apply a 100 percent risk weight to equity securities of government-sponsored enterprises (GSEs).[16] In contrast, the OCC's regulation governing national banks applies a 20 percent risk weight to all GSE equity securities.

[16] However, Federal Home Loan Bank stock held by banking organizations as a condition of membership receives a 20 percent risk weight.

Conversion Factors for Off-balance Sheet Contracts

Under the agencies' general risk-based capital rules, the credit equivalent amount of a derivative contract that is not subject to a qualifying bilateral netting contract is equal to the sum of the derivative contract's current credit exposure and the potential future credit exposure. The potential future exposure is estimated by multiplying the notional principal amount of the contract by a credit conversion factor by type of derivative contract. The regulations of the Board, the FDIC with respect to state nonmember banks, and the OCC with respect to national banks provide a chart illustrating the applicable credit conversion factors, as follows:

Remaining maturity	Interest rate (percent)	Exchange rate and gold (percent)	Equity (percent)	Precious metals, except gold (percent)	Other commodities (percent)
One year or less	0.0	1.0	6.0	7.0	10.0
More than one year to five years	0.5	5.0	8.0	7.0	12.0
More than five years	1.5	7.5	10.0	8.0	15.0

In contrast, the regulations governing savings associations, as currently incorporated into the FDIC's and the OCC's regulations, provide a table of conversion factors that is less granular as to the types of contracts to which it applies as well as their remaining maturity.

Remaining maturity	Interest rate contracts (percent)	Foreign exchange rate contracts (percent)
One year or less	0.0	1.0
Over one year	0.5	5.0

Limitation on Subordinated Debt and Limited-Life Preferred Stock

The risk-based capital rules of the Board, the FDIC with respect to state nonmember banks, and the OCC with respect to national banks limit the amount of subordinated debt and intermediate-term preferred stock that may be treated as part of tier 2 capital to 50 percent of tier 1 capital. Such a restriction is not imposed on savings associations. However, the agencies limit the amount of tier 2 capital to 100 percent of tier 1 capital for all banks and savings associations.

In addition, under the risk-based capital rules of the Board, the FDIC with respect to state nonmember banks, and the OCC with respect to national banks, at the beginning of each of the last five years of the life of a subordinated debt or limited-life preferred stock instrument, the amount eligible for inclusion in tier 2 capital is reduced by 20 percent of the original amount of that instrument (net of redemptions). However, the regulations governing savings associations provide the option of using either the discounting approach described above or an approach that, during the last seven years of the instrument's life, allows for the full inclusion of all such instruments, provided that the aggregate amount of such instruments maturing in any one year does not exceed 20 percent of the savings association's total capital.

Tangible Capital Requirement

Unlike banks, savings associations, by statute, must satisfy a 1.5 percent minimum tangible capital requirement.[17] However, under the Prompt Corrective Action framework all insured depository institutions are considered critically undercapitalized if

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[17] See 12 U.S.C. 1464(t)(1)(A)(ii) and (t)(2)(B).

their tangible common equity falls below 2 percent.[18] Therefore, the 1.5 percent minimum tangible capital requirement for savings associations is no longer a meaningful limit.

Market Risk Rule

In 1996, the Board, the FDIC with respect to state nonmember banks, and the OCC with respect to national banks, adopted rules requiring banks and bank holding companies with significant exposure to market risk to measure and maintain capital to support that risk.[19] However, the rules governing savings associations do not include a market risk framework because no savings association engaged in the threshold level of trading activity when the market risk capital rule was adopted.[20]

Pledged Deposits, Nonwithdrawable Accounts, and Certain Certificates

The capital regulations governing mutual savings associations permit such institutions to include in tier 1 capital pledged deposits and nonwithdrawable accounts to the extent that such accounts or deposits have no fixed maturity date, cannot be withdrawn at the option of the accountholder, and do not earn interest that carries over to subsequent periods. The regulations also permit the inclusion of net worth certificates, mutual capital certificates, and income capital certificates complying with applicable regulations in savings associations' tier 2 capital. The risk-based capital rules of the

[18] See 12 U.S.C. 1831o(c)(3); see also 12 CFR 6.4, 12 CFR 165.4 (OCC); 12 CFR 208.45 (Board); 12 CFR 325.105, 12 CFR 390.455 (FDIC).

[19] See 61 FR 47358 (September 6, 1996).

[20] On August 30, 2012, the agencies published a revised market risk final rule that: (1) enhances the market risk rule's sensitivity to risks that are not adequately captured under the prior market risk rule, (2) increases transparency through enhanced disclosures, and (3) does not rely on credit ratings, consistent with section 939A of the Dodd-Frank Act. See 77 FR 53060. On the same day, the agencies also issued a proposed rule that would subject federal and state savings associations to the market risk rule. See 77 FR 52978 (August 30, 2012). Thus, if the proposed rule is adopted as a final rule, the difference described above would be eliminated.

Board, the FDIC with respect to state nonmember banks, and the OCC with respect to national banks do not expressly address these instruments.

<u>Assets Subject to FDIC or Federal Savings and Loan Insurance Corporation Agreements</u>

The risk-based capital rules of the Board, the OCC for national banks, and the FDIC for state nonmember banks generally place assets subject to guarantee arrangements by the FDIC or the former Federal Savings and Loan Insurance Corporation (FSLIC) in the 20 percent risk-weight category. The regulations governing savings associations place certain assets in the zero percent risk-weight category, provided the assets are fully covered against capital loss and/or by yield maintenance agreements initiated by the FSLIC, regardless of any later successor agency such as the FDIC.

The federal banking agencies issued a joint statement, <u>Clarification of the Risk Weight for Claims on or Guaranteed by the FDIC</u>, on February 26, 2010, that clarifies the risk weights for claims on or guaranteed by the FDIC for purposes of banking organizations' risk-based capital requirements. Recent loss-sharing agreements entered into by the FDIC with acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions imposed on the acquiring institution. The guaranteed portion of assets subject to an FDIC loss-sharing agreement may be assigned a 20 percent risk weight. Any such assets reported by a savings association, other than those meeting the requirements provided in 12 CFR 167.6(a)(1)(i)(F) (federal savings associations) and 12 CFR 390.466(a)(1)(i)(F) (state savings associations) may similarly receive a 20 percent risk weight.

Differences in Accounting Standards Among the Federal Banking Agencies

Specific Valuation Allowances

There was a difference in regulatory reporting of "specific valuation allowance" between Call Report and TFR filers.[21] Under the TFR, if a savings association determined that it was likely the amount of a loan loss classification would change due to market conditions, it could record the loss associated with the loan by either (1) creating a specific valuation allowance or (2) recognizing a charge-off.[22] In contrast, Call Report instructions require a charge-off for all confirmed losses and do not provide for this use of specific valuation allowances.

Regulatory Reporting

In 2011, subsequent to the Dodd-Frank Act, the agencies changed regulatory reporting requirements, including requiring savings associations to file the quarterly Call Report rather than the TFR.[23] As a result, institutions supervised by the agencies are subject to uniform regulatory reporting requirements.

Savings associations continued their existing reporting processes until the effective dates cited below, but they were permitted to convert early to the Call Report for report dates after July 21, 2011. Savings associations that elected to early adopt the Call Report were still required to submit other applicable reports (Cost of Funds, Holding Company, and Consolidated Maturity/Rate Schedule) through the December 31, 2011, reporting period.

[21] Effective March 30, 2012, this difference was eliminated when savings associations began to file the Call Report.

[22] A savings association is not permitted to use a specific valuation allowance in lieu of a charge-off when it classifies certain credits as a loss, such as unsecured loans, consumer loans, and credit cards, and in instances where the collateral underlying a secured loan would likely be acquired through foreclosure or repossession. In those cases, only a charge-off is permitted.

[23] See 76 FR 39981 (July 7, 2011).

Specific changes to reporting requirements for savings associations include:

- A requirement to file the quarterly Call Report, beginning with the March 31, 2012, report date. Effective on that date, all required schedules of the TFR (including Schedules CMR – Consolidated Maturity Rate and HC – Thrift Holding Company) were eliminated;
- A requirement to file data through the Summary of Deposits with the FDIC, beginning with the June 30, 2011, report date. Effective on that date, the OTS Branch Office Survey was eliminated; and
- Ending collection of monthly median cost-of-funds data from savings associations, effective January 31, 2012. The last cost-of-funds indices were published as of December 31, 2011.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

December 20, 2012

The Honorable Joseph Biden
United States Senate
Washington, DC 20510

Dear Mr. President:

In accordance with section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the Office of the Comptroller of the Currency is pleased to submit our annual report to Congress containing a description of actions taken to carry out section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), as amended by the Dodd-Frank Act. Section 308 describes five goals for preserving minority ownership of minority financial institutions. The section further directs the Secretary of the Treasury to consult with the Comptroller and a number of other agencies on methods for best achieving these goals.

If you have questions or need additional information, please do not hesitate to contact me or Carrie Moore, Director, Congressional Liaison, at (202) 649-6737.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

Enclosure

cc: The Honorable Tim Johnson, Chairman, Committee on Banking, Housing & Urban Affairs
The Honorable Richard Shelby, Ranking Member, Committee on Banking, Housing & Urban Affairs

Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

Annual Report to Congress

Preservation of Minority National Banks and Federal Savings Associations

2011

In accordance with Sections 301 and 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989

by the

Office of the Comptroller of the Currency
Washington, DC

December 2012

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I. EXECUTIVE SUMMARY

The Office of the Comptroller of the Currency (OCC) supervises 57 minority depository institutions (MDI), which account for about 3 percent of the 1,870 community banks in the OCC's Midsize and Community Bank Supervision (MCBS) line of business. That total includes 13 minority-owned federal savings associations (FSA) that came under the OCC's jurisdiction in July 2011, when most of the functions of the Office of Thrift Supervision (OTS) were integrated into the OCC.

This report is submitted in compliance with section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), which directed the Comptroller of the Currency to submit an annual report to Congress containing a description of actions taken to carry out section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), as amended by the Dodd-Frank Act. Section 308 describes five goals for preserving minority ownership of minority financial institutions and directs the Secretary of the Treasury to consult with the Comptroller and a number of other agencies on methods for best achieving these goals.

In 2011, the OCC engaged in numerous activities to carry out the goals detailed in section 308. For example:

- Subject matter experts provided technical assistance to MDIs on topics including legal, accounting, compliance, and safety and soundness issues. Much of this activity focused on asset quality and loan administration, liquidity and interest rate risk management, and capital formation through earnings retention.
- Bank Director Workshops were held throughout the country on topics such as risk assessment, credit risk, and compliance risk. The OCC made a special effort to encourage MDI directors to attend and waived charges for MDI directors.
- The OCC's District Community Affairs Officers provided consultations to MDIs on community development, the Community Reinvestment Act (CRA), and other related topics.
- OCC staff participated in outreach events, including the National Bankers Association's Legislative and Regulatory Conference and Annual Convention roundtable discussion with the Independent Community Bankers of America's Minority Bank Council and the OTS MDI Advisory Council and the Interagency Minority Depository Institutions National Conference.

This report provides additional details on all of the OCC's activities completed in 2011 to support MDIs, including the overall condition of minority depository institutions supervised by the OCC, the OCC's compliance with section 308's provisions, and an overview of the OCC's outreach to MDIs and the training the agency provided to examiners who supervise those institutions.

II. OVERALL CONDITION OF MINORITY DEPOSITORY INSTITUTIONS

While all banks have struggled with a weak economy, MDIs have faced particularly significant challenges. A major concern is the high level of noncurrent loans—just over 4 percent at MDIs, compared to 2.29 percent for all other OCC community banks. Because they have higher levels of problem loans, MDIs generally hold more Tier 1 capital—an average of 11.63 percent, compared to 10.88 percent for federal community banks as a whole. Profitability is improving for all banks, and MDIs recorded net interest income of 3.98 percent of average assets, compared to 3.7 percent for all other OCC community banks. Asset levels at MDIs held steady in 2011.

III. OCC'S NATIONAL MINORITY DEPOSITORY INSTITUTIONS PROGRAM

The OCC's National Minority Depository Institutions program is designed to provide technical assistance and other support to minority-owned banks and thrifts in order to promote and preserve these institutions, consistent with the requirements of section 308 of FIRREA detailed below.

A. Preserving the Present Number of Minority Depository Institutions

The number of MDIs supervised by the OCC now includes 13 FSAs that were added during 2011 as a result of the Dodd-Frank Act.

As noted in Table 1 below, nearly 60 percent of the MDIs supervised by the OCC hold assets of less than $250 million, with nearly 85 percent below $500 million. This distribution has not changed materially since 2010.

Table 1: Asset Distribution for Minority-Owned Institutions (as of December 31, 2011)

Asset Size	National Banks	FSAs	Total	% of Total
$250 million or less	26	8	34	59.7%
$251 million to $500 million	10	3	13	22.8%
$501 million to $1 billion	4	2	6	10.5%
Greater than $1 billion	4	0	4	7.0%
Total	44	13	57	

OCC-supervised MDIs are located in 22 states and the District of Columbia, with combined assets of $18.8 billion. The heaviest concentrations of MDIs are in the states of California (12 institutions), Texas (11), and New York (6).

B. Preserving the Minority Character of Minority Depository Institutions

When considering potential merger and acquisition partners for minority depository institutions, the OCC, in coordination with the Federal Deposit Insurance Corporation, uses the "general preference guidelines" identified below to establish preferences for the types of institutions for which a merger/acquisition would be most appropriate. We apply these guidelines in the following order:

1. Same type of MDI in the same city.
2. Same type of MDI in the same state.
3. Same type of MDI nationwide.
4. Any type of MDI in the same city.
5. Any type of minority depository in the same state.
6. Any type of MDI nationwide.
7. Any other bidders.

During 2011, the OCC was not involved in any mergers or acquisitions of minority depository institutions.

C. Providing Technical Assistance to Prevent the Insolvency of Institutions Not Now Insolvent

Because MDIs still face challenges because of higher-than-average levels of noncurrent loans, technical assistance provided regularly during onsite examinations, quarterly management discussions, and various training and education programs has focused on improving overall asset quality and strengthening capital levels. OCC experts have worked with MDIs on improving asset quality and loan administration, liquidity and interest rate risk management, and capital formation through earnings retention. In addition, MDIs have ready access to OCC subject matter experts on a wide range of topics, including accounting, compliance, and capital markets, to name a few.

D. Providing for Training, Technical Assistance, and Educational Programs

OCC Director Workshops are one of many offerings that help bank directors fulfill their fiduciary responsibilities. Directors are integral to the long-term health and viability of community-based financial institutions, and the OCC is committed to providing a support structure that recognizes and builds on that importance. Workshops focusing on four different subject areas (see Table 2) are held in various locations throughout the year in an effort to make participation as convenient as possible for attendees. While the OCC typically charges a registration fee to attend the agency's Director Workshops, the registration fee is waived for participants from MDIs in order to encourage attendance. During 2011, the OCC conducted 35 workshops in 22 locations throughout the United States. A news announcement was sent to all OCC-regulated MDIs to notify them of the 2011 workshop schedule and that the registration fee would be waived for their directors. Table 2 provides data on participation.

Table 2: Participation of MDIs in Director Workshops

Workshop	Sessions During 2011	Number of MDIs	Total Institutions	Percentage of MDIs Participating	Number of MDI Directors	Total Number of Directors Participating	Percentage of MDIs Participating
Risk Assessment	13	9	189	4.76%	20	479	4.18%
Credit Risk	11	7	154	4.55%	11	328	3.35%
Compliance Risk	6	6	87	6.90%	11	189	5.82%
Mastering the Basics	6	0	93	0.00%	0	215	0.00%

District Community Affairs Officers assist national banks and federal savings associations in their efforts to provide credit and other banking services to their communities through several activities including:

- training and technical assistance on resources and effective strategies for community development and CRA; financial literacy initiatives and other productive partnerships; and investing in community development projects.
- tailored one-on-one consultations that typically cover the following topics: identifying opportunities for community development finance; strategies for forming partnerships with community development organizations and governmental agencies; creating mechanisms for expanding a bank's community development capacity in urban and rural markets; and preparing for the CRA exam.
- banker and community outreach. These initiatives include sponsorship of roundtable discussions, conferences, seminars, and workshops for the exchange of information and ideas among bankers, community groups, governmental agencies, and other stakeholders. Topics covered relate to support of low- to moderate-income communities, such as economic recovery, small business lending programs, neighborhood stabilization, CRA, and community development challenges and opportunities.

The OCC's Community Affairs Department conducts "best practice" research and promotes OCC publications that encourage economic development activities by national banks and federal savings associations in line with safe and sound banking practices. Publications relevant to MDIs include the following:

- *Minority-Owned Banks: Making a Difference in their Communities*, a newsletter that outlines the role MDIs play in meeting the credit needs of the customers living in their communities.

- *A Guide to Tribal Ownership of a National Bank*: A companion to the OCC's *Licensing Manual*, this guide is designed to help federally recognized Native American tribes explore entry into the national banking system by establishing or acquiring control of a national bank.
- *Commercial Lending in Indian Country: Potential Opportunities in an Untapped Market* discusses the specific approaches that bankers active in this market have used to accommodate some of the unique business and legal challenges, including the use of several federal programs that are available to manage the risks in tribal commercial and business development.
- *Banking in Indian Country* contains articles addressing how financial institutions, tribal organizations, and others have developed partnerships that lead to increased access to lending and other financial services on tribal lands. Successes are described in the areas of home mortgage lending, commercial lending, retail services, financial literacy initiatives, and development of Native American financial institutions.
- *Partnerships with Minority- and Women-Owned Financial Institutions and Low-Income Credit Unions* is a fact sheet describing how banks can receive CRA consideration for investments in and partnerships with MDIs.

All of these publications and more are available on the Community Affairs pages of the OCC Web site. These publications are promoted at conferences and events that OCC staff attends.

IV. ADDITIONAL OCC ACTIVITIES IN SUPPORT OF MINORITY DEPOSITORY INSTITUTIONS

A. Outreach

Outreach meetings are conducted on a regional basis, typically once a year. These outreach meetings are directed to bank executive officers, with the chief executive officers (CEO) most likely in attendance, and typically cover a variety of compliance, accounting, economic, and safety and soundness topics.

Teleconferences:

The agency conducted two teleconferences for federal savings associations during 2011 to assist with the integration of OTS-supervised institutions into OCC:

- FSA Executive Teleconference: Migration from the Thrift Financial Report to the Bank Call Report; Allowances, Accounting and Credit; and Other Supervision Topics
- FSA Executive Teleconference: Supervisory Expectations for Interest Rate Risk Management

Publications:

Quarterly newsletters are distributed to the CEOs of national banks and federal savings associations to provide updates on recent OCC issuances as well as guidance on current hot topics pertaining to safety and soundness or compliance matters.

Industry Meetings:

The OCC participates in a number of national and state banking conventions through an exhibit booth program sponsored by the agency's Banking Relations unit. Outreach efforts specifically targeted to minority-owned institutions in 2011 included:

- The National Bankers Association Annual Convention.
- The National Bankers Association Annual Legislative and Regulatory Conference.
- The Interagency MDI National Conference.
- A roundtable discussion for MDIs with the Acting Comptroller, Senior Deputy Comptroller for Midsize and Community Bank Supervision, and the Senior Advisor to the Deputy Comptroller for Public Affairs for External Outreach and Minority Affairs at the Interagency MDI Conference.
- A roundtable discussion with the Senior Advisor to the Deputy Comptroller for Public Affairs for External Outreach and Minority Affairs. The setting for the discussion was the Independent Community Bankers of America's Minority Bank Council at the Interagency MDI Conference.
- The roundtable discussion for the OTS MDI Advisory Council with the Comptroller, Senior Deputy Comptroller for Midsize and Community Bank Supervision, Deputy Comptroller for Public Affairs, and the Senior Advisor to the Deputy Comptroller for Public Affairs for External Outreach and Minority Affairs.

These meetings provide an informal environment in which experienced OCC staff members interact with bankers and provide a valuable communications link to the banking community. They give the OCC the opportunity to hear suggestions from community bankers on issues affecting the banking industry, provide information on national banking trends and issues, and highlight resources the OCC has developed to assist bankers, including a commercial real estate stress test model. In addition, the OCC has provided demonstrations on the use of OCC BankNet and the Comparative Analysis Reports available to the institutions supervised by the OCC.

Interagency MDI National Conference:

At the 2011 Interagency MDI National Conference mentioned above, the OCC organized and conducted three of the six workshops and provided speakers and moderators for general and plenary sessions. These conference activities covered a variety of topics, including:

- **Activities of an Effective Board of Directors**
  This session discussed key activities that enhance the effectiveness of boards of directors, including strategic planning, policies, performance management, and succession planning.
- **Commercial Real Estate Risk Management**
  This session discussed asset quality trends, underwriting, appraisal and evaluation guidelines, prudent commercial real estate loan workout guidance, and troubled debt restructures.

- **Managing Interest Rate Risk**
  This session explored the current rate environment and the low rate setup, the National Risk Committee and the quarterly interest rate risk assessment, balance sheet metrics, and outlier reports and interagency guidance on interest rate risk management.

Various aspects of the conference were designed based on the input we received from MDIs the OCC supervises. Leading up to the conference, the OCC contacted each MDI through calls, letters, and news advisories in an effort to increase awareness, attendance, and participation in this conference.

B. Educational Activities With Bank Examiners

In 2011, diversity awareness training sessions were provided to all newly hired examiners as a part of their orientation into the OCC. Each session provided information about cultural and generational diversity to enhance interactions with both their co-workers and the bankers they come in contact with on a daily basis. The training included discussions of situational workplace dilemmas to reinforce concepts and tips to enhance workplace interactions.

C. OCC Minority Depository Institutions Advisory Committee

In October 2011, the OCC took steps to formally establish a Minority Depository Institutions Advisory Committee (MDIAC), designed to provide perspectives to the agency on the unique challenges and needs of minority depository institutions. The OCC MDIAC will have up to10 members serving two-year terms and will meet at least twice every year. The MDIAC will be made up of officers and directors of MDIs and other financial institutions committed to supporting such institutions.

On August 13, 2012, the OCC published a notice in the *Federal Register* soliciting membership on the committee, and members were announced on December 12, 2012. The MDIAC will provide the OCC an assessment of the current condition of MDIs and what regulatory changes or other steps the OCC should consider to preserve minority institutions. The presiding OCC official for the MDIAC is the Senior Advisor to the Senior Deputy Comptroller for Midsize and Community Bank Supervision, and the first meeting is scheduled to be held on January 16, 2013. See the MDIAC Charter in Appendix 3.

V. CONCLUSION

The OCC has long supported the MDI provisions of FIRREA. During the calendar year covered by this report (2011), the first year in which the Dodd-Frank Act MDI provisions applied to the OCC, the agency demonstrated its support of MDIs by engaging the services of employees throughout the agency to plan and implement or participate in a number of activities for the benefit of MDIs. Those employees represented several OCC units, including Midsize and Community Bank Supervision, Banking Relations, Community Affairs, External Outreach and Minority Affairs, Licensing, and the Ombudsman's Office.

Recognizing the importance of MDIs to the community bank sector in the United States, the OCC will continue to demonstrate its commitment to supporting these institutions through a proactive and coordinated effort within the agency and through interagency partnerships.

APPENDIX 1

Minority- and Women-Owned Depository Institutions

(As of December 31, 2011)

NAME	ADDRESS	CITY	STATE	ZIP CODE	TELEPHONE	CHARTER	TOTAL ASSETS ($000)	OWNER CODE
The Slocomb National Bank	220 E. Lawrence Harris Highway	Slocomb	AL	36375-0000	(334) 886-2367	7940	72,672	6
Commonwealth National Bank	2214 St. Stephens Road	Mobile	AL	36617-0000	(251) 476-5938	16553	65,062	1
The First National Bank of Izard County	2005 Highway 56	Calico Rock	AR	72519-0000	(870) 297-3711	21165	143,741	6
Broadway Federal Bank, F.S.B.	4835 West Venice Blvd.	Los Angeles	CA	90019-0000	(323) 634-1700	705141	418,357	3
Tomatobank, National Association	1241 Grand Avenue, Suite K	Diamond Bar	CA	91765-0000	(626) 759-9222	23999	416,298	3
Gateway Bank, F.S.B.	919 Clement Street	San Francisco	CA	94118-0000	(415) 831-1288	708857	266,820	3
New Omni Bank, National Association	1235 South Garfield Avenue	Alhambra	CA	91801-5037	(626) 284-5555	16840	153,496	3
Asian Pacific National Bank	333 West Valley Boulevard	San Gabriel	CA	91776-0000	(626) 457-4888	23006	53,138	3
American Plus Bank, National Association	630 West Duarte Road	Arcadia	CA	91007-0000	(626) 821-9188	24716	212,563	3
Borrego Springs Bank, National Association	7777 Alvarado Road, Suite 515	La Mesa	CA	91942-3645	(619) 668-5159	23162	131,298	4
Mission National Bank	3060 16th Street	San Francisco	CA	94103-0000	(415) 826-3627	17176	185,443	3
Trans Pacific National Bank	55 Second Street, Suite 100	San Francisco	CA	94105-0000	(415) 543-3377	18358	113,743	3
Bank of Whittier, National Association	15141 East Whittier Boulevard	Whittier	CA	90603-0000	(562) 945-7553	17548	49,298	3
Saigon National Bank	15606 Brookhurst Street, Suite C	Westminster	CA	92683-7582	(714) 338-8712	24577	58,567	3
Universal Bank	3455 Nogales Street-2nd Floor	West Covina	CA	91792-0000	(626) 854-2818	705801	458,897	3
Native American Bank, National Association	999 18th Street, Suite 2460	Denver	CO	80202-0000	(303) 988-2727	21158	69,574	4
Independence Federal Savings Bank	1301 9th Street, NW	Washington	DC	20001-0000	(202) 628-5500	707173	94,327	1
Executive National Bank	9600 North Kendall Drive	Miami	FL	33176-0000	(305) 964-2442	15974	275,407	2
Continental National Bank of Miami	1801 Continental Plaza	Miami	FL	33135-0000	(305) 642-2440	16325	290,664	2
Interamerican Bank, A FSB	9190 Coral Way	Miami	FL	33165-2049	(305) 223-1434	707506	248,000	2
Embassy National Bank	1817 North Brown Road	Lawrenceville	GA	30043-0000	(770) 822-9111	24679	55,064	3
Quantum National Bank	505 Peachtree Industrial Blvd.	Suwanee	GA	30024-0729	(770) 831-2601	22905	342,025	3
Hawaii National Bank	45 North King Street	Honolulu	HI	96817-0000	(808) 528-7711	14911	618,162	3
First Newton National Bank	100 North 2nd Avenue West	Newton	IA	50208-0000	(641) 792-3010	13609	78,193	6
Second FS & LA of Chicago	3960 W 26th St	Chicago	IL	60623-3705	(773) 277-8500	700679	198,243	2
Illinois-Service FS & LA	4619 S King Dr	Chicago	IL	60653-4107	(773) 624-2000	703395	150,000	1
The National Republic Bank of Chicago	1201 West Harrison Street	Chicago	IL	60607-0000	(312) 738-4900	14399	1,298,746	3
Sunflower Bank, National Association	3025 Cortland Circle	Salina	KS	67401-0000	(785) 827-5564	4742	1,733,783	6
Leader Bank, National Association	141 Massachusetts Avenue	Arlington	MA	02474-0000	(781) 646-3900	24131	509,286	3
Advance Bank	4801 Seton Drive	Baltimore	MD	21215-0000	(410) 358-1700	706824	66,877	1
Woodlands National Bank	122 Main Street	Hinckley	MN	55037-0000	(888) 532-4142	23926	137,826	4
The First National Bank of Gordon	134 N. Main Street	Gordon	NE	69343-0000	(308) 282-0050	8521	152,928	6

APPENDIX 1 (Cont'd)
Minority- and Women-Owned Depository Institutions
(As of December 31, 2011)

NAME	ADDRESS	CITY	STATE	ZIP CODE	TELEPHONE	CHARTER	TOTAL ASSETS ($000)	OWNER CODE
City National Bank of New Jersey	900 Broad Street	Newark	NJ	07102-0000	9736240865	16142	358,432	1
BNB Bank, National Association	2024 Center Avenue	Fort Lee	NJ	07024-0000	(212) 689-5292	20622	357,273	3
Nevada National Bank	6110 Spring Mountain Road	Las Vegas	NV	89102-0000	(888) 881-8718	24682	44,479	3
Carver Federal Savings Bank	75 West 125th Street	New York	NY	10027-4512	2123608810	705273	670,357	1
Chinatown Federal Savings Bank	107-109 Bowery	New York	NY	10002-0000	2123349191	708003	161,380	3
Ponce de Leon Federal Bank	2244 Westchester Avenue	Bronx	NY	10462-0000	(718) 931-9000	706509	759,115	2
Eastbank, National Association	183 Centre Street	New York	NY	10013-0000	(212) 219-9000	18431	187,145	3
Asia Bank, National Association	135-34 Roosevelt Avenue	New York City	NY	11354-0000	(718) 961-9700	18432	437,403	3
Abacus Federal Savings Bank	6 Bowery	New York	NY	10013-5101	2122669063	708059	233,256	3
First National Bank in Okeene	124 North Main Street	Okeene	OK	73763-0000	(580) 822-3300	10913	61,162	6
The Central National Bank of Alva	602-612 Flynn Street	Alva	OK	73717-0000	(580) 327-1122	12152	275,547	6
First National Bank and Trust Company	130 East Macarthur	Shawnee	OK	74804-0000	(405) 275-8830	18430	215,689	4
The National Bank of Malvern	King and Warren Streets	Malvern	PA	19355-0000	6106470100	3147	131,457	6
Independence Trust Company	325 Bridge Street	Franklin	TN	37064-0000	(615) 591-8011	717965	3,604	6
Commercial National Bank of Texarkana	5515 Summerhill Road	Texarkana	TX	75505-0000	(870) 773-4561	15257	193,887	6
The Lamesa National Bank	602 South 1st Street	Lamesa	TX	79331-0000	(806) 872-5457	13111	275,380	6
Texas National Bank	215 S. Texas Avenue	Mercedes	TX	78570-0000	(956) 565-2485	11879	93,004	2
Zapata National Bank	7th & Hidalgo	Zapata	TX	78076-0000	(956) 765-4302	14955	103,999	2
Lone Star National Bank	206 West Ferguson	Pharr	TX	78577-0000	(956) 781-4321	17611	2,174,674	2
The First National Bank of Hico	135 N. Pecan	Hico	TX	76457-0000	(254) 796-4221	4366	39,684	6
Golden Bank, National Association	9315 Bellaire Boulevard	Houston	TX	77036-0000	(713) 777-3838	18558	517,463	3
Unity National Bank of Houston	2602 Blodgett Street	Houston	TX	77004-0000	(713) 387-7400	21008	71,584	1
American First National Bank	9999 Bellaire Boulevard	Houston	TX	77036-0000	(713) 596-2888	23521	868,864	3
Metrobank, National Association	9600 Bellaire Boulevard, Suite 252	Houston	TX	77036-0000	(713) 776-3876	21017	1,103,089	3
Southwestern National Bank	6901 Corporate Drive	Houston	TX	77036-0000	(713) 771-9700	23081	331,476	3

Owner Codes

1=African American
2=Hispanic American
3=Asian or Pacific Islander American
4=Native American or Alaskan Native
5=Multiracial Minorities
6=Women

APPENDIX 2

Comptroller of the Currency
Administrator of National Banks

Office of the Comptroller of the Currency
Policy Statement on Minority-Owned National Banks

The Office of the Comptroller of the Currency (OCC) recognizes the importance of minority- owned national banks in supporting and promoting the economic viability of the communities they serve. Consistent with its mission of ensuring a safe, sound, and competitive banking system, the OCC seeks to advance the objectives of Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), including the preservation of a robust and healthy minority-owned national bank sector and the creation of new minority-owned national banks.

Definition of Minority-Owned National Banks

A minority-owned national bank is a national bank that is more than 50 percent owned or controlled by African Americans, Native Americans, Hispanic Americans, Asian Americans, or women.

Identification of Minority-Owned National Banks

The OCC maintains a list of minority-owned national banks and makes it available on *National BankNet* (OCC's secure, limited-access "extranet" Web site for national banks) and the agency's External Outreach and Minority Affairs page on its public Web site at http://www.occ.gov/minority.htm.

Formation of Minority-Owned National Banks

The OCC provides advice and technical assistance to minority bank applicants interested in entering the national banking system. The OCC has produced materials useful to national bank organizing groups that can facilitate their development of national bank applications. The OCC assists organizers of minority-owned national banks through pre-filing meetings and comments on draft applications. Requests for such assistance should be directed to the licensing director in the OCC's district office that serves the area in which the bank will be headquartered.

A minority-owned national bank may be eligible for designation as a community development bank if its activities will primarily support: (1) low- and moderate-income individuals or areas; (2) government targeted revitalization areas; or (3) activities that would be considered "qualified investments" under the Community Reinvestment Act. The institution's designation as a community development bank can facilitate investments in that community development bank by other depository institutions.

Examination Support for Minority-Owned National Banks

A supervisory strategy is developed annually for each minority-owned national bank. The supervisory strategy is based on the risks facing the individual minority-owned national bank and addresses specific supervisory issues identified by the OCC as requiring attention. As part of the supervisory strategy, OCC examiners will also consider the minority-owned national bank's need for technical assistance, training, and education in areas such as compliance, risk management, and operational issues.

The OCC assigns to each minority-owned national bank an Assistant Deputy Comptroller and portfolio manager who are familiar with the issues and needs of the individual minority-owned bank. Assignment of examiners to minority-owned national banks takes into account the expertise and background needed to properly evaluate the products and services offered by those institutions and the markets and environments in which they operate.

Each OCC district has expert advisors who are available to provide minority-owned national banks with guidance on subjects such as credit, asset management, consumer compliance, capital markets, bank information systems, legal issues, and economic conditions.

The OCC periodically convenes meetings and discussions among Assistant Deputy Comptrollers with responsibility for supervision of minority-owned national banks to exchange information and best practices for supervising minority-owned national banks.

Capital for Minority-Owned National Banks

The OCC supports investments by national banks in minority-owned banks pursuant to the public welfare investment authority (12 U.S.C. § 24(Eleventh) and 12 C.F.R. Part 24 ("Part 24")) and will give positive consideration under the Community Reinvestment Act to national banks that invest in minority-owned banks.

Accessing Peer Data for Minority-Owned Institutions

The OCC promotes the use of the Comparative Analysis Reporting system which includes publicly available call report data on all FDIC-insured banks. A minority-owned national bank can use this system to develop peer group analyses that help the bank to identify its relative strengths and weaknesses by comparing its performance to other specified banks or groups of banks. The system can be accessed on *National BankNet* at https://www.banknet.occ/Portal/Banking.aspx.

APPENDIX 2 (Cont'd)

Resolution of Supervisory Cases

In the course of its ongoing supervision, the OCC provides technical assistance to help prevent the failure of minority-owned national banks. In resolving supervisory cases involving minority-owned national banks, the OCC encourages remedies, including mergers and acquisitions, which are consistent with the institution's safety and soundness and the goal of maintaining its minority ownership.

Information, Education, and Outreach for Minority-Owned National Banks

The OCC provides relevant information to minority-owned national banks through the publication *OCC Highlights* as well as its *External Outreach and Minority Affairs* page on the OCC's Web site at http://www.occ.gov/minority.htm.

A series of workshops is offered to national bank directors covering a variety of topics relevant to all community banks, including those with minority ownership. The OCC actively promotes these workshops to minority-owned national banks and encourages their directors to participate.

The OCC, in collaboration with the Federal Reserve Board, the Federal Deposit Insurance Corporation, and Office of Thrift Supervision, annually co-sponsors an interagency national conference for minority-owned banks and FSAs. The purpose of the conference is to highlight recent regulatory developments and provide OCC executive leadership and managers an opportunity to understand issues facing minority-owned banks and identify strategies to address them.

A Community Affairs Officer is assigned to each minority-owned national bank to provide technical assistance to those institutions interested in structuring community development investments under the national bank public welfare investment authority (Part 24). Upon request, Community Affairs Officers also advise minority-owned national banks in designing community development initiatives.

Periodic Surveys of Minority-Owned National Banks

The OCC periodically surveys minority-owned national banks to assess the effectiveness of its education, outreach, and technical assistance efforts.

Annual Report

Beginning in 2008, the OCC's Annual Report includes a summary of the agency's activities to support minority-owned national banks.

Roles and Responsibilities

The OCC's Senior Advisor for External Outreach and Minority Affairs serves as the agency's focal point for minority-owned national bank matters. The OCC's efforts in support of minority-owned national banks are coordinated through the Minority-Owned National Bank Working

Group, which is comprised of representatives of External Outreach and Minority Affairs, Community/Mid-Size Bank Supervision, the Chief National Bank Examiner, Public Affairs, and Community Affairs.

Conclusion

The OCC recognizes the important role of minority-owned national banks in their communities and our national banking system. The agency remains committed to employing measures and resources that will encourage and preserve minority ownership of national banks.

John C. Dugan
Comptroller of the Currency

9/19/08
Date

APPENDIX 3

AMENDED CHARTER

OFFICE OF THE COMPTROLLER OF THE CURRENCY MINORITY DEPOSITORY INSTITUTIONS ADVISORY COMMITTEE

1. Committee's Official Title. Office of the Comptroller of the Currency (OCC) Minority Depository Institutions Advisory Committee (MDIAC).

2. Authority. This charter is prepared and filed in accordance with the provisions of the Federal Advisory Committee Act (FACA), as amended, 5 U.S.C., App. 2.

3. Objective and Scope of Activities.

   The MDIAC will provide advice to the Department of the Treasury, OCC on meeting the goals established by section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Pub. L. No. 101-73, Title III, 103 Stat. 353, 12 U.S.C. § 1463 note, to preserve the present number of minority depository institutions, preserve the minority character of minority owned institutions in cases involving mergers or acquisitions, provide technical assistance, and encourage the creation of new minority depository institutions.

   The scope of the MDIAC's work will include an assessment of the current condition of minority depository institutions, what regulatory changes or other steps OCC may be able to take to fulfill the mandate of section 308, and other issues of concern to OCC-supervised minority depository institutions.

4. Description of Duties. The MDIAC shall meet to discuss issues of importance to minority depository institutions and provide advice and recommendations to OCC. No non-advisory functions shall be performed.

5. Official to Whom Committee Reports. The MDIAC reports to the Comptroller of the Currency, who shall be solely responsible for any action taken with respect to the MDIAC's advice and recommendations.

6. Support Services. OCC shall provide all necessary support to the MDIAC.

7. Estimated Annual Operating Costs and Staffing. The estimated annual cost to operate the MDIAC is approximately $125,000 (includes approximately .35 full-time equivalent.) While MDIAC members are not compensated for their services, they are reimbursed for travel-related expenses to attend meetings and outreach and orientation sessions in

accordance with 5 U.S.C. § 5703.

8. Designated Federal Official (DFO). The DFO (or designee) is a full-time federal employee who will be appointed by the Comptroller of the Currency and shall ensure compliance with the requirements of FACA and its implementing regulations. The DFO will approve or call all of the advisory committee and subcommittee meetings, prepare and approve all meeting agendas, attend all committee and subcommittee meetings, and adjourn any meeting when determined to be in the public interest.

9. Estimated Number and Frequency of Meetings. The MDIAC generally meets two to three times each calendar year. Advance notice of the meetings will be published in the Federal Register.

10. Duration. The MDIAC is a continuing advisory committee.

11. Termination Date. The authority to utilize the MDIAC expires two years from the original charter filing as indicated in paragraph 15.

12. Membership and Designation. The MDIAC shall consist of no more than 10 members serving for one two-year term. Each member shall serve as a representative of his or her institution.

    A structured application process shall be used to provide a balanced membership and ensure that diverse views are represented, including the views of officers and directors of minority depository institutions, and other depository institutions with a commitment to supporting minority depository institutions.

13. Subcommittees. The OCC has the authority to create subcommittees that must report back to the MDIAC. The subcommittees may not provide advice or recommendations directly to OCC.

14. Recordkeeping. The records of the MDIAC and its subcommittee(s) will be handled in accordance with the General Records Schedule 26, item 2 or other approved OCC records disposition schedule. The records will be available for public inspection and copying, subject to the Freedom of Information Act, 5 U.S.C. § 552.

APPENDIX 3 (Cont'd)

15. Filing Date. The filing date of this amended charter is OCT 20 2011.
The filing date of the original charter was August 2, 2010.

Approved:

John Walsh Date: 9/26/11

John Walsh
Acting Comptroller of the Currency
Office of the Comptroller of the Currency

Approved:

Date: 10/19/11

Dan Tangherlini
Assistant Secretary for Management
and Chief Financial Officer

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

January 7, 2013

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson:

Enclosed please find my responses to the questions for the record submitted following the November 14, 2012, hearing on *"Oversight of Basel III: Impact of Proposed Capital Rules."*

I hope the information provided is helpful to the Committee. If you have questions or need additional information, please contact Carrie Moore, Director for Congressional Liaison, at 202-649-6737.

Sincerely,

John Lyons

John Lyons
Senior Deputy Comptroller Bank Supervision Policy
& Chief National Bank Examiner

Enclosure

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Office of the Comptroller of the Currency, from Senator Warner:

Question 1. I, and many other Members, have brought up concerns about the need to tailor rules to the size and type of entity. However, I recognize the U.S.'s leadership role on the Basel Committee, and the need to move through this period of regulatory uncertainty so that businesses can make investment decisions. How can the Committee provide regulated entities more certainty about the timeline of rules being re-proposed or finalized in the future?

Response: While we are dedicated to the Basel process of developing and promulgating globally consistent standards for the largest internationally active banks, our ultimate goal is to ensure the safety and soundness of the U.S. banking system. Fortunately, standards advanced by the Basel Committee are generally consistent with our domestic priorities and objectives, and if they are not, we will make adjustments as necessary.

While we are constantly seeking to improve both the international and domestic processes for proposing and finalizing standards and regulations, there are limits to our ability to provide certainty during the rulemaking process. We continue to strive to provide as much information as possible, both at the domestic rulemaking stage and on an international level as part of the Basel Committee, to ensure that our proposals can be understood and assessed by industry participants so that meaningful comment can be provided. Nevertheless, certainty in terms of the structure of rules and when those rules might be finalized is difficult given that we are open to revising our proposals based on the feedback that we receive. The Basel Committee and the federal banking agencies attempted to mitigate some of this uncertainty by providing for long transition periods over which banks could adjust and adapt to any new regulations.

As I noted in my testimony, in developing the U.S. capital proposals we did attempt to tailor our proposals. We carefully evaluated each element of the Basel III framework and assessed to which banks it should be applied. In making these assessments, the federal banking agencies strove to calibrate the requirements to reflect the nature and complexity of the financial institutions involved. As a result, and consistent with the higher standards for larger banks required by section 165 of the Dodd-Frank Act, many of the provisions in the proposed rules would affect only larger banks and those that engage in complex or risky activities; community banks with more basic balance sheets are largely or completely exempted from such provisions.

Question 2. I've heard concerns that the proposed rules require unrealized gains and losses on available for sale assets to be recognized within AOCI. Insurers that are Savings & Loan Holding Companies are especially apprehensive about managing increased asset-liability mismatches. Can you discuss your broader goals to encourage a long-term focus in capital management, and address these AOCI concerns?

Response: The OCC is committed to ensuring banks maintain adequate capital, and, as I noted in my testimony, regulatory capital standards are but one component in a larger and more comprehensive process of bank supervision. For example, we recently issued guidance for national banks and federally chartered thrifts (the Federal Reserve Board regulates Savings and Loan holding companies) that focuses on the need for these institutions to assess their capital adequacy.[1] Part of this process, as well as part of our examination process of assessing the strength of a bank's capital position, involves evaluating a bank's unrealized gains and losses.

The rationale for the proposed AOCI treatment is that ignoring unrealized losses has the potential to mask the true financial position of a bank. This is particularly true when a bank is under stress and when creditors are most likely to be concerned about unrealized losses that could inhibit a bank's ability to meet its obligations. Nonetheless, this is an issue that numerous commenters flagged as a concern and is one that we are carefully reviewing. Because our review and rulemaking process have not been completed, it would be difficult to comment on the ultimate resolution of this topic without prejudging the process.

Question 3. We've seen some recent sales of MSRs from banks to non-banks since the proposal was released saying that MSRs may only be counted for up to 10% of CET1, and additional MSR holdings will be weighted at 250%. This is a significant change from allowing MSRs to be counted up to the equivalent of 100% of Tier 1 capital. The MSRs change comes in combination with more sophisticated risk-weights for mortgages that will require more capital for non-standard and high LTV mortgages. We also have QM and QRM on the way, which will have distinct definitions from Basel rules. I am supportive of a more nuanced approach to holding capital for mortgages, but is the panel concerned that the limited overlap in these regulations could cause much greater compliance difficulty for small institutions and negatively affect access to credit among low-to-middle income borrowers?

Response: We recognize the concerns about regulatory burden, including concerns about overlap with other regulatory initiatives related to residential mortgages, and we take these concerns very seriously. Our intention is not to negatively affect credit access to low-to-middle income borrowers, and we will carefully consider the comments we have received in deciding on the best way forward.

[1] See OCC Bulletin 2012-16, "Guidance for Evaluating Capital Planning and Adequacy."

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Question 4. Trade finance transactions rely on letters of credit and other off-balance sheet items, and lenders will have to set aside 100% capital for these items if current proposals are implemented. This transition requires 5 times more capital compared to Basel II. Do you believe that these changes are likely to affect smaller companies and emerging countries to a much greater extent? Can you respond to concerns that these proposals, as they are written, could constrict trade finance opportunities?

Response: One of the main effects of the proposed rules on trade finance relates to the treatment of off-balance sheet trade-related transactions such as letters of credit under the supplementary leverage ratio. The supplementary leverage ratio is proposed to apply only to the largest, internationally active banking organizations, some of which are active in the trade finance arena. Commenters have raised concerns with this treatment as well as some concerns with other technical aspects of the proposals as they relate to trade finance. We will review these comments carefully to assess whether any changes to the proposals are warranted.

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Questions for Mr. John Lyons, Chief National Bank Examiner, Office of the Comptroller of the Currency, from Senator Menendez:

Question 1. A fundamental objective of Dodd Frank was to reduce systemic risk. I am concerned that the Fed's Basel III proposal could result in bank clearing members having to hold significantly more capital when their customers use less-risky instruments. Some argue that this incentive will make it more expensive to use exchange-traded futures than bespoke swaps. Should the rule be designed to encourage the use of lower risk profile products, rather than potentially discourage it?

Response: While the use of central counterparties improves the safety and soundness of both cleared OTC and exchange-traded products through the multilateral netting of exposures and market transparency, the increased use of central counterparties also has the potential for increased systemic risk as counterparty credit risk is concentrated in these entities. The proposed rules introduce a capital requirement for banks' exposure to this risk. The proposed capital requirement takes into account the margin provided to the central counterparty by its members as well as the capital of the central counterparty itself. We are still reviewing the comments received on this issue to determine the ultimate resolution of this topic.

Question 1(a). With the proposed use of Loan-to-Value (LTV) ratios on home mortgages in Basel III, community banks would be required to recordkeep (or keep records of) the LTVs of future and existing mortgages. Some have argued that going back through their existing portfolios and determining each individual loan's LTV at origination would be burdensome and costly. Have you considered applying this standard prospectively for smaller banks and what thoughts have gone into that?

Response: These changes are part of the Standardized Approach proposal. As proposed, they would be applicable to all mortgages with no grandfathering provisions; however this treatment would not come into effect until 2015. This proposed delayed implementation was intended to provide sufficient time for banks to adapt to the new standards. Several commenters have suggested that we apply the proposed mortgage treatment on a prospective basis, and that is something that we will carefully consider as we move forward.

Question 1(b). Elizabeth Duke recently said that in her discussions with community bankers, more of them report that they are reducing or eliminating their mortgage lending due to regulatory burdens than are expanding their mortgage business. In fact, she says that even if the specific issues in capital proposals can be addressed, the lending regulations might still "seriously impair" the ability of community banks to offer traditional mortgages. How or what are you going to do to ensure that the fragile housing market does not take another hit as it relates to capital requirements and Basel implementation?

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Response. Our goal with the proposed modifications to our regulatory capital framework is to create a more robust and stronger banking system that is better positioned to withstand financial market stresses. Ultimately, this would help to ensure that access to financing can flow more efficiently to all sectors of the economy, including housing. In addition, the proposed rules included long transition provisions to allow banks to more easily adjust to the higher capital standards. Nevertheless, we recognize the concerns that commenters have raised with our proposals, particularly as they relate to the housing market, the multitude of regulatory reforms that are underway in this sector of the economy, and the burden the proposals may pose to community banks. We are committed to carefully considering all of these comments in deciding how to best move forward.

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Questions for Mr. John Lyons, Chief National Bank Examiner, Office of the Comptroller of the Currency, from Ranking Member Shelby:

Question 1. Is the U.S. banking system currently adequately capitalized? Please list any studies or data you relied upon to make this determination.

Response: Generally speaking, national banks and federal thrifts of all sizes are better capitalized today than they were prior to the crisis. The Call Report data below show national bank and federal thrift capital ratios before the crisis and the ratios in the middle of 2012.

		Tier 1 Leverage Ratio			Tier 1 Risk-Based Capital Ratio			Total Risk-Based Capital Ratio		
Bank Size As Of 2012Q2	**Count Of Banks**	**2006Q4**	**2012Q2**	**% Change**	**2006Q4**	**2012Q2**	**% Change**	**2006Q4**	**2012Q2**	**% Change**
greater than $250B	6	6.4%	8.1%	27.6%	8.4%	11.5%	37.6%	11.6%	14.1%	21.0%
$100B - 250B	6	10.6%	9.7%	-8.9%	11.3%	13.1%	15.9%	14.4%	15.5%	7.8%
$10 - 100B	48	7.9%	10.3%	30.3%	9.2%	14.5%	57.4%	12.1%	16.5%	36.3%
$1 - 10B	180	8.8%	10.8%	23.3%	11.6%	17.1%	47.4%	13.1%	18.3%	39.9%
$250m to $1B	527	10.5%	11.1%	5.3%	14.3%	17.4%	21.4%	15.4%	18.6%	20.6%
less than $250m	1,120	12.1%	12.1%	0.0%	18.0%	20.4%	13.4%	19.1%	21.6%	13.0%
Grand Total	1,887	7.1%	8.9%	24.5%	9.1%	12.6%	38.8%	12.1%	15.0%	23.1%

Question 2. If the proposed Basel III rules were implemented, would your agency consider the U.S. banking system to be adequately capitalized? Please explain how you made that determination and what studies and data you relied upon.

Response: While capital positions have improved based on current capital metrics, the proposed changes to our capital standards should help to cement these improved capital positions and ensure that banks are in a better position to deal with future financial market turbulence. In addition, the proposed changes are intended to provide a better metric by which to measure each bank's capital position as they should enhance the risk sensitivity of the existing capital framework.

"Oversight of Basel III: Impact of Proposed Capital Rules"
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Question 3. At an FDIC meeting in July, FDIC Director Thomas Hoenig stated that "as proposed, the minimum capital ratios will not significantly enhance financial stability." Bank of England Governor Mervyn King and several prominent economists have said that Basel III capital standards are insufficient to prevent another crisis. Do you disagree with these assertions? If so, why?

Response: We believe that the proposed enhancements to our capital standards will help to strengthen the banking system's resiliency and will enhance financial stability through higher levels and quality of capital and through improved risk sensitivity. Banking crises have occurred for as long as there have been banks, and we do not, therefore, believe that the proposed standards would necessarily succeed in preventing another crisis. However, we expect that banks would be better positioned to navigate any future crisis under the proposed rules than under the current rules.

Question 4. Given the cost and complexity of Basel III, do you have any concerns that Basel III will further tilt the competitive landscape in favor of big banks to the detriment of small banks? Have you studied the impact of Basel III on small institutions as compared to their larger counterparts?

Response: We do not anticipate that small banks will be disadvantaged under the proposed rules relative to large banks for a number of reasons. First, large banks will be subject to essentially two capital regimes under section 171 of the Dodd-Frank Act. Under this provision, the largest banks are required to not only comply with the capital standards that have been developed specifically for large, internationally active banks, but they are also required to comply with the standards that are "generally applicable", i.e., those that are applied to smaller institutions. In addition, there are several aspects of the proposals that would apply only to the largest banks. For example, smaller banks can ignore the advanced approaches NPR in its entirety, which contains changes from Basel III that only apply to the largest U.S. banks. In addition, the countercyclical buffer, which is meant to make banks hold more capital during periods of excessive credit growth, is a Basel III provision that would apply only to the largest banks. Similarly, enhanced disclosures would apply only to banks with total consolidated assets of $50 billion or more. While not included as part of this set of proposals, the largest banks will also have to hold an additional cushion of capital under the Global Systemically Important Bank (G-SIB) surcharge, which could be up to 3.5% of additional common equity.

To measure the potential impact of the proposals, the OCC conducted burden and cost estimates for all OCC-supervised banks consistent with the Unfunded Mandates Reform Act and for OCC-supervised small banks pursuant to the Regulatory Flexibility Act. Our analysis showed that the majority of banks, including community banks, will meet the new higher capital requirements without raising additional capital. For those banks that might need to raise additional capital, the proposals include a number of transition provisions to ease the burden. However, for a substantial number of the smallest banks (i.e., those with assets of $175 million or less), our initial analysis determined that the compliance costs likely could be significant. These costs include additional recordkeeping and systems costs associated with implementing the alternatives to credit ratings.

The Comptroller has stated publicly that he is aware of the concerns of community bankers and is very interested in looking at ways to reduce the potential burden on small banks without compromising the OCC's goal of raising the quantity and quality of capital and setting minimum standards that require more capital for more risk. To help facilitate community bank comments, the federal banking agencies provided an estimator tool so that community bankers could give us more specific empirical data on the potential impact of the proposals. The agencies will consider any such empirical analysis that community banks provide.

For any final rule, the OCC will complete final assessments under both the Unfunded Mandates Reform Act and the Regulatory Flexibility Act. Also, for any final rule, the OCC will determine whether the rule is a "major rule" for purposes of the Congressional Review Act (e.g., whether it will have an annual effect on the economy of $100 million or more).

Question 5. Recently, the agencies announced that they are pushing back the effective date of the proposed Basel III rules beyond January 1, 2013. This affords the agencies more time to carefully review comment letters, engage in additional outreach and collect additional data. Will the agencies use this extra time to conduct an analysis about the impact of the proposed rules on the U.S. economy and a quantitative impact study that covers all banks, regardless of size, before implementing the final rules?

Response: The OCC is required to complete a final assessment of the rule under the Regulatory Flexibility Act, and we plan to complete an assessment under the Unfunded Mandates Reform Act. We will take into account any comments received on the costs and benefits of the NPRs in fulfilling these statutory mandates. Additionally, at the final rule stage, the OCC will prepare an analysis under the Congressional Review Act. As part of this analysis we will assess whether the final rule is a "major rule," meaning the rule could (1) effect the economy by $100 million or more; (2) increase significantly costs or prices for consumers, individual industries, Federal, state, or local government agencies, or geographic regions; or (3) have significant adverse effects on competition, employment, investment, productivity, or innovation. The analysis will be provided to the Congress and the Government Accountability Office (GAO).

Question 6. What is the estimated impact of the Basel III rules, if finalized as proposed, on:

a. The U.S. GDP growth?

b. The probability of bank failure?

c. Availability and cost of mortgages, auto loans, student loans and small business credit?

d. The compliance costs for small, medium and large banks?

e. The cost of insurance for consumers?

Please provide data to support your conclusions.

Response: If finalized as proposed, we estimate that the overall cost of the proposed capital rules would be approximately $145.1 million. This estimate reflects one-time systems costs of approximately $46.5 million and ongoing capital costs of $98.6 million per year once banks fully implement the new rule. The overall estimate reflects the cost of capital some banks would need to raise to meet the new minimum capital standards, compliance costs associated with establishing the infrastructure to determine correct risk weights using the new alternative measures of creditworthiness, and compliance costs associated with new disclosure requirements.

The vast majority of banks in the United States already hold capital that would satisfy even the highest new capital standard set to take effect on January 1, 2019. Table 1 shows our estimates of the cumulative number of OCC-regulated banking organizations that would fall short of the new minimum capital standards if the banks took no action and held their capital at December 31, 2011, levels. We estimate that those 195 institutions would have to raise approximately $84 billion in new capital, which is approximately nine percent of the amount of capital currently held by OCC-regulated banking organizations. Because most banks in the United States already meet the new Basel III capital standards and those institutions that do need to raise capital have six years in which to do it, we estimate that the proposed rule will not affect U.S. GDP growth. Most of the dampening effect on GDP growth that can occur when banks reduce lending to increase capital would have occurred in the past when banks increased their capital levels in response to the financial crisis.

While higher capital levels reduce the probability of bank failure,[2] we did not estimate how Basel III rules will affect these probabilities. The probability of bank failure will vary from bank to bank and will depend on capital and a variety of other factors, best summarized in regulatory

[2] See for instance, Arturo Estrella, Sangkyun Park, and Stavros Peristiani, "Capital Ratios as Predictors of Bank Failure," *Economic Policy Review*, Federal Reserve Bank of New York, July 2000, pp. 33-52.

CAMELS ratings. These CAMELS factors include capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk.

Because the proposed rules would change the risk weights for residential mortgages, we do expect the increased risk sensitivity could have some effect on the cost and availability of residential mortgages. Indeed, one of the objectives of the proposed rule is to use variations in risk weights to differentiate between high-risk and low-risk mortgages, securitizations, and sovereign debt. In particular, for residential mortgages with a lower risk weight under the proposed rule, namely category one mortgages with loan-to-value ratios less than or equal to 60 percent, costs may decrease and availability may increase. For residential mortgages with higher risk weights under the proposed rules, for example, mortgages with loan-to-value ratios greater than 90 percent, we expect that costs may increase and availability decrease. There are, however, a large number of factors beyond risk weights that affect the cost and availability of mortgages and other loans. The interaction of these factors along with possible changes in bank behavior towards risk makes it difficult to arrive at an accurate estimate of the proposed rules' impact on mortgage cost and availability. The risk weights for auto loans, student loans, and small business loans do not change under the proposed rules.

Table 2 shows our estimates of compliance costs associated with determining new risk weights under the proposed rule. As shown in Table 2, we estimate compliance costs of approximately $36,000 per institution for small and medium-sized banks. For large banks, we estimate compliance costs of approximately $111,000 per institution. We did not attempt to estimate the cost of insurance for consumers.

Table 1. Cumulative Number of OCC-Regulated Banking Organizations Short of the Transition Schedule for Minimum Capital Requirements and Estimated Risk-weighted Assets, December 31, 2011.

Institutions not meeting:	Dec. 31, 2011	Jan. 1, 2013	Jan. 1, 2014	Jan. 1, 2015	Jan. 1, 2016	Jan. 1, 2017	Jan. 1, 2018	Jan. 1, 2019
New minimum capital requirements	56	56	56	56	89	89	135	195

Table 2. Estimated Costs of Creditworthiness Measurement Activities, December 31, 2011

Institution	Number of institutions	Estimated hours per institution	Estimated cost per institution	Estimated cost
Small banking organizations (assets < $10 bil.)	1,177	425	$36,125	$42,519,125
Large banking organizations (assets ≥ $10 bil.)	36	1,300	$110,500	$3,978,000
Total	1,213			$46,497,125

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Question 7. Our housing market is currently entirely dependent on taxpayer-funded government support through FHA and the GSEs. The Administration, however, has yet to prepare a housing finance reform plan. As a result, the future of the GSEs is still undetermined. One issue that will have to be addressed in housing finance reform is ensuring that the Basel rules are properly coordinated with the capital requirements for the GSEs in order to avoid creating any adverse incentives. Prior to the crisis, Fannie and Freddie had much lower capital requirements than did comparable banking institutions. According to one study, from 1992 through 2007 the GSE leverage ratios were between 20 and 40 (50 and 100 if MBS credit guarantees are included) whereas commercial banking sector had ratios between 10 and 15. With an implicit government guarantee, Fannie and Freddie were able to borrow at artificially low interest rates, making it quite profitable for the GSEs to purchase mortgages and offer credit default guarantees below market rates. As a result, Fannie and Freddie grew to become institutions that threatened the financial stability of the U.S. economy. In devising the proposed Basel capital rules, did your agency consider how the rules would interact with the capital requirements of any GSE? If yes, please explain whether any changes were made to the rules to protect against adverse consequences you identified.

Response: In developing our proposed capital standards, we focused on the institutions that we regulate, although we did consider the potential impact of the proposals on the broader economy. We did not explicitly consider the regulatory capital requirements for Fannie Mae and Freddie Mac as set forth by their regulator, the Federal Housing Finance Agency.

Question 8. A key concern that must be addressed is ensuring that the capital requirements for Fannie and Freddie do not create incentives for banks to excessively transfer risk to the GSEs, like they did before the crisis when banks were charged a 4 percent capital requirement for holding a portfolio of mortgage loans, but only 1.6 percent if they held GSE MBS instead. Do you believe that the proposed rules appropriately address that concern, and if so, how? What analysis have you done to make that determination?

Response: While the proposed rules attempt to provide for a more risk sensitive approach to mortgage loans held by banks, the proposed treatment for exposures to Fannie Mae and Freddie Mac are carried over from the existing rules. This was partly due to the explicit government support that has been provided to these institutions. If and when the two housing entities are restructured, we will consider the risks that exposures to the firms present to banks and will revise the capital treatment for such exposures accordingly. However, given the uncertainty as to what the ultimate structure and risks of these entities might look like, we believed it was premature to make significant changes to the capital standards at this time.

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Question 9. Mr. Lyons, how do the proposed rules address the diverse landscape of our financial system, including mid-size banks, community banks, regional banks, and other market participants? Please provide specific examples. What analysis did OCC conduct to determine that the Basel III model should be applied to those market participants? How did OCC determine that the proposed capital regime is adequate for institutions based on their size or asset class?

Response: As I noted in my testimony, in developing the U.S. capital proposals we did not adopt a "one-size fits all approach." Rather, we carefully evaluated each element of the Basel III framework and assessed to which banks it should be applied. In making these assessments, the federal banking agencies strove to calibrate the requirements to reflect the nature and complexity of the financial institutions involved. As a result, and consistent with the higher standards for larger banks required by section 165 of the Dodd-Frank Act, many of the provisions in the proposed rules are only for larger banks and those that engage in complex or risky activities: community banks with more basic balance sheets are largely or completely exempted. For example, smaller banks can ignore the advanced approaches NPR in its entirety, which contains changes from Basel III that only apply to the largest U.S. banks. In addition, the countercyclical buffer, which is meant to make banks hold more capital during periods of excessive credit growth, is a Basel III provision that would apply only to the largest banks. Similarly, enhanced disclosures would apply only to banks with total consolidated assets of $50 billion or more. While not included as part of this set of proposals, the largest banks will also have to hold an additional cushion of capital under the Global Systemically Important Bank (G-SIB) surcharge, which could be up to 3.5% of additional common equity.

There are areas, however, where we believe a more uniform regulatory capital approach across banks is warranted. For example, the proposals include a consistent definition of what counts as regulatory capital for banks of all sizes. A consistent definition helps to limit the complexity of having multiple definitions for banks of varying size and also helps to reduce opportunities for regulatory capital arbitrage.

The regulatory capital standards set forth in the proposals are meant to be minimum requirements that are appropriate for banks of various sizes and with varying business models. These standards do not obviate the need for more tailored analysis of each bank's capital adequacy, which is part of our overall supervisory process.

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Questions for Mr. John Lyons, Chief National Bank Examiner, Office of the Comptroller of the Currency, from Senator Wicker:

Question 1. In comment letters to federal regulators, the Conference of State Banking Supervisors raised concerns regarding the complexity of the approach proposed by federal banking agencies for implementing the Basel III capital accords. How has this input influenced your approach to the rulemaking process?

Response: We are carefully reviewing all of the comments we received on the proposals, including those submitted by the Conference of State Bank Supervisors. Given that the rulemaking process has not been completed and that we are still reviewing comments, it would be difficult to speak to how particular comments have shaped our views at this time.

Question 2. In applying Basel III to community banks, did the regulators consider that most privately-held community banks have fewer options for sources of capital than large banks, making it especially challenging for them to raise additional capital in the current economic climate, and that the Basel III proposal could disproportionately impact such community banks?

Response: Yes. The proposed transition period, which in some cases extends to 2022, was intended to allow banks time to adjust to the heightened capital standards. Nevertheless, concerns related to the ability of community banks to access capital markets has been raised by many commenters, and we will weigh these issues as we decide how to move forward.

Question 3. Will the implementation of the proposed Standardized Approach and the mandate that mortgage loan-to-values (LTVs) be tracked require many of the nation's smaller banks to make costly software upgrades? If so, have you considered the cost impact of such a requirement on community banks?

Response: For a substantial number of the smallest banks (i.e., those with total assets of $175 million or less), our initial analysis determined that the compliance costs could be significant. These costs include additional recordkeeping and systems costs associated with implementing the alternatives to credit ratings. The Comptroller has stated publicly that he is aware of the concerns of community bankers and is very interested in looking at ways to reduce the potential burden on small banks without compromising the OCC's goal of raising the quantity and quality of capital and setting minimum standards that require more capital for more risk. The federal banking agencies requested comment on their costs and burden estimates and on ways to reduce cost and burden without sacrificing safety and soundness. As I noted in my testimony, the federal banking agencies received a substantial number of comments, and as we move forward with any final rules, we will consider the comments and empirical analysis that community banks provided in their comments.

"Oversight of Basel III: Impact of Proposed Capital Rules"
November 14, 2012

Question 4. Did the regulators consider the effect on the economy and consumers if community banks reduce mortgage lending significantly due to Basel III?

Response: Because the proposed rules will change the risk weights for residential mortgages, we do expect that increased risk sensitivity could have some effect on the cost and availability of residential mortgages. Indeed, one objective of the proposed rule is to use variations in risk weights to differentiate between high-risk and low-risk mortgages, securitizations, and sovereign debt. In particular, for residential mortgages with a lower risk weight under the proposed rule, namely category one mortgages with loan-to-value ratios less than or equal to 60 percent, costs may decrease and availability may increase. For residential mortgages with higher risk weights under the proposed rule, for example, mortgages with loan-to-value ratios greater than 90 percent, we expect that costs may increase and availability decrease. There are, however, a large number of factors beyond risk weights that affect the cost and availability of mortgages and other loans. The interaction of these factors along with possible changes in bank behavior towards risk makes it difficult to arrive at an accurate estimate of the proposed rules' impact on mortgage cost and availability.

Question 5. Please explain whether or not the proposed higher capital requirements for past due loans are a form of "double accounting," given that banks already are supposed to reserve for these losses.

Response: The capital requirements for past due loans is not a form of double counting or "double accounting." Allowance for loan losses (reserves) under accounting standards and regulatory capital serve fundamentally different roles. Under existing U.S. GAAP, accounting reserves represent the estimated amount needed to recognize losses that have been incurred as of the balance sheet date. In contrast, the role of regulatory capital is to protect a bank from unexpected (and thus unreserved) losses. For example, if a loss has been incurred on a past due loan, an accounting reserve should be established in a sufficient amount to recognize the estimated loss. There is no automatic requirement that an accounting allowance be established for all past due loans. Nevertheless, the ultimate loss on that past due loan is not known with certainty, and it is this uncertainty that the capital charge is meant to cover. It is also worth noting that the existing capital rules require capital for past due loans, even though these loans generally already have accounting reserves established. The difference between the existing and proposed treatment, therefore, is more a matter of the amount of capital that must be set aside, rather than whether capital should be set aside or not.

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

January 9, 2013

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

This letter transmits the Third Quarter 2012 Report on performance of first-lien residential mortgages serviced by national banks and federal savings associations in accordance with section 104 of the Helping Families Save Their Homes Act of 2009 (Act).[1] Pursuant to section 312(b)(2)(B) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),[2] all functions of the OTS relating to federal savings associations were transferred to the OCC effective July 21, 2011. Therefore, the OCC is submitting the enclosed report, which was previously submitted jointly by OCC and OTS.

The report covers 29.8 million first-lien mortgage loans totaling $5.1 trillion in principal balances, constituting approximately 58 percent of all first-lien mortgages outstanding in the United States,[3] and provides information on loan performance, including loan modification and home forfeiture actions, over the period from the beginning of the third quarter of 2011 through the end of the third quarter of 2012. For purposes of this report, performance of modified loans is measured beginning three months after the modification. As a result, the performance information on modified loans shown in this report reflects all modifications implemented by the reporting institutions through the end of the second quarter of 2012. The report provides information on all types of mortgages serviced, including subprime mortgages.

The report includes information specifically required by section 104 of the Act, as amended by section 1493(a) of the Dodd-Frank Act, requiring the information to be provided for each state,[4] as follows: (1) the total number of mortgage modifications resulting in the modification of terms or combinations of terms, such as interest rate reductions, and reductions or deferrals of principal

[1] Pub. L. No. 111-22, § 104, 123 Stat. 1632, 1636 – 37 (2009).
[2] Pub. L. No. 111-203, § 312(b)(2)(B), 124 Stat. 1376, 1522 (2010).
[3] Based on the Federal Reserve Board's third quarter 2012 Flow of Funds statistical release.
[4] Pub. L. No. 111-203, § 1493(a), 124 Stat. 1376, 2206 – 07 (2010).

(pages 58 and 60); (2) the total number of mortgage modifications resulting in changes to total monthly principal and interest payments (page 62); and (3) the total number of loans that were modified and then went into default, where the loan modification resulted in monthly payments that increased or decreased (page 64).

If you have any questions or need additional information, please contact me or Carrie Moore, Director for Congressional Liaison, at 202-649-6737.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

Enclosure

Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

OCC Mortgage Metrics Report

Disclosure of National Bank and Federal Savings Association Mortgage Loan Data

Third Quarter 2012

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

December 2012

Contents

Executive Summary

This *OCC Mortgage Metrics Report* for the third quarter of 2012 provides performance data on first-lien residential mortgages serviced by selected national and federal savings banks. The mortgages in this portfolio comprise 58 percent of all mortgages outstanding in the United States—29.8 million loans totaling $5.1 trillion in principal balances. This report provides information on their performance through September 30, 2012.

Overall, the percentage of mortgages in this portfolio that were current and performing declined by less than one tenth of one percent during the quarter, but have improved 0.7 percent from the same period a year ago. The percentage of mortgages that were current and performing at the end of the quarter was 88.6 percent, compared with 88.7 percent the previous quarter and 88.0 percent a year earlier. The percentage of mortgages that were 30 to 59 days past due was 3.1 percent, up 10.4 percent from the previous quarter and 3.6 percent from a year ago. The percentage of mortgages that were seriously delinquent—60 or more days past due or held by bankrupt borrowers whose payments were 30 or more days past due—remained at 4.4 percent, down 10.8 percent from a year earlier. Strengthening economic conditions, servicing transfers, and the ongoing effects of home retention efforts and home forfeiture actions contributed to the improvement in seriously delinquent mortgages compared with last year.

Foreclosure activity remains elevated as the large number of seriously delinquent mortgages and foreclosures in process work through foreclosure prevention and loss mitigation processes. Servicers initiated 252,604 new foreclosures during the third quarter of 2012, 95,124 fewer than the same period a year ago for a decrease of 16.5 percent from the previous quarter and 27.4 percent from a year earlier. The number of mortgages in the foreclosure process declined by 167,730 loans from a year ago to 1,158,289—a decrease of 6.4 percent from the previous quarter and 12.6 percent from a year earlier. The number of completed foreclosures rose to 114,742, a 12.8 percent increase from the previous quarter and a 1.3 percent increase from a year earlier.

Servicers continued to emphasize alternatives to foreclosure during the quarter. Servicers implemented 382,899 home retention actions—including modifications, trial-period plans, and shorter term payment plans—compared with 180,389 new home forfeiture actions during the quarter. The number of home retention actions implemented by servicers decreased by 8.9 percent from the previous quarter and 16.6 percent from a year earlier.

Mortgage Performance

- The overall percentage of mortgages in this report that were current and performing decreased slightly to 88.6 percent at the end of the third quarter of 2012 (see table 7).
- The percentage of mortgages that were 30 to 59 days delinquent at the end of the third quarter increased by 10.4 percent from the previous quarter and 3.6 percent from a year earlier (see table 7).
- The percentage of mortgages that were seriously delinquent at the end of the quarter was 4.4 percent, the lowest level in three years. The percentage of mortgages that were seriously

delinquent decreased 1.7 percent from the previous quarter and 10.8 percent from a year earlier (see table 7).[1]

- The quality of government-guaranteed mortgages declined during the quarter. The percentage of these mortgages that were current and performing decreased to 84.3 percent from 84.9 percent in the previous quarter. The percentage of these mortgages that were current and performing a year earlier was 85.2 percent (see table 9). Government-guaranteed mortgages compose 23 percent of the total serviced portfolio.

- Mortgages serviced for Fannie Mae and Freddie Mac (government-sponsored enterprises or GSE) made up 58 percent of the mortgages in this report. The percentage of these mortgages that were current and performing was 93.6 percent (see table 10). The percentage of GSE mortgages that were current and performing declined slightly from the previous quarter but improved from a year earlier.

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

- Servicers implemented 382,899 home retention actions—modifications, trial-period plans, and payment plans—during the third quarter of 2012 (see table 1). Home retention actions were more than double the number of completed foreclosures, short sales, and deed-in-lieu-of-foreclosure actions in the quarter (see table 5).

- New home retention actions included 136,316 modifications, 131,403 trial-period plans, and 115,180 payment plans during the quarter. Home Affordable Modification Program (HAMP) modifications increased 10.0 percent from the previous quarter to 31,540 but decreased 41.5 percent from a year earlier. Other modifications increased to 104,776—an increase of 54.2 percent from the previous quarter and 25.3 percent from a year earlier. HAMP trial-period plans decreased by 13.7 percent from the previous quarter and 25.1 percent from the previous year. Other trial-period plans decreased 38.7 percent from the previous quarter and 14.2 percent from a year earlier.

Table 1. Number of New Home Retention Actions

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Other Modifications	83,596	73,875	64,709	67,962	104,776	54.2%	25.3%
HAMP Modifications	53,941	42,275	37,448	28,660	31,540	10.0%	-41.5%
Other Trial-Period Plans	127,545	182,856	102,486	178,528	109,435	-38.7%	-14.2%
HAMP Trial-Period Plans	29,338	27,323	26,530	25,444	21,968	-13.7%	-25.1%
Payment Plans	164,568	133,881	121,815	119,850	115,180	-3.9%	-30.0%
Total	458,988	460,210	352,988	420,444	382,899	-8.9%	-16.6%

- Servicers reduced interest rates in 77.2 percent of all modifications made during the third quarter of 2012. Term extensions were used in 64.8 percent of modifications, principal deferrals in 19.1 percent, and principal reductions in 17.1 percent (see table 17). Among HAMP modifications, servicers reduced interest rates in 85.6 percent of those modifications, deferred principal in 30.5 percent, and reduced principal in 24.7 percent (see table 18).

[1] The percentage of mortgages that were seriously delinquent appears unchanged at 4.4 percent because of rounding.

- Servicers reduced monthly principal and interest payments in 89.6 percent of modifications made in the quarter (see table 22). Servicers reduced monthly payments by an average of 23.8 percent for all borrowers who qualified for modifications, with an average decrease of \$345. HAMP modifications reduced payments by an average of \$565, or 35.3 percent, and other modifications reduced monthly payments by \$279, or 20.3 percent (see table 24).

Modified Loan Performance

- Servicers modified 2,741,912 mortgages from the beginning of 2008 through the end of the second quarter of 2012. At the end of the third quarter of 2012, 46.7 percent of these modifications were current or paid off. Another 7.6 percent were 30 to 59 days delinquent, and 14.4 percent were seriously delinquent. Another 9.6 percent were in the process of foreclosure, and 6.9 percent had completed the foreclosure process (see table 2).

Table 2. **Status of Mortgages Modified in 2008–2Q 2012**

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	445,354	22.1%	5.4%	13.7%	12.5%	15.0%	3.6%	27.7%
2009	594,350	34.2%	6.9%	15.9%	11.9%	10.2%	2.6%	18.3%
2010	939,364	47.5%	7.9%	14.3%	9.5%	5.5%	1.4%	13.9%
2011	564,065	59.0%	8.9%	15.2%	7.7%	1.7%	0.7%	6.7%
2012	198,779	75.8%	9.5%	10.0%	2.2%	0.1%	0.2%	2.1%
Total	2,741,912	44.9%	7.6%	14.4%	9.6%	6.9%	1.8%	14.8%
HAMP Modification Performance Compared With Other Modifications**								
Other Modifications	1,327,113	48.9%	8.9%	16.8%	9.5%	5.3%	1.4%	9.1%
HAMP Modifications	631,859	61.1%	7.0%	9.3%	8.0%	2.5%	0.7%	13.4%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,662,289	52.8%	7.8%	12.4%	7.7%	4.5%	1.2%	13.7%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	1,079,623	32.8%	7.4%	17.5%	12.6%	10.6%	2.7%	16.4%

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

**Modifications used to compare with HAMP modifications include only modifications implemented from the third quarter of 2009 through the second quarter of 2012.

- HAMP modifications have performed better than other modifications. Of the 631,859 HAMP modifications implemented since the third quarter of 2009, 61.1 percent remained current, compared with 48.9 percent of other modifications (see table 2). HAMP modifications perform better largely because of the emphasis on reduced monthly payments, affordability relative to borrower income, required income verification, and successfully completing a required trial period.

- Modifications that reduced monthly payments by 10 percent or more performed better than those that reduced payments by less than 10 percent. At the end of the third quarter of 2012, 52.8 percent of modifications that reduced payments by 10 percent or more were current and performing, compared with 32.8 percent of those that reduced payments by less than 10 percent (see table 2).

- Modifications on mortgages held in the servicers' own portfolios and those serviced for the GSEs performed better than modifications on mortgages serviced for others. Of the modifications implemented from January 1, 2008, through September 30, 2011 that were in effect at least one year, 22.4 percent of modifications on mortgages held in the servicers' own portfolios, 25.4 percent of Fannie Mae mortgages, and 25.1 percent of Freddie Mac mortgages were 60 or more days delinquent after 12 months. Conversely, 47.5 percent of government-guaranteed mortgages and 43.2 percent of private investor-held loans were 60 or more days delinquent after 12 months. This variance may reflect differences in the characteristics of the loans and modification programs as well as the servicers' additional flexibility when modifying mortgages they owned (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	11.0%	17.5%	22.2%	25.4%
Freddie Mac	11.8%	17.8%	22.0%	25.1%
Government-Guaranteed	16.6%	33.5%	42.9%	47.5%
Private	22.4%	32.1%	38.7%	43.2%
Portfolio Loans	7.5%	14.5%	19.3%	22.4%
Overall	15.0%	24.4%	30.5%	34.4%

*Data include all modifications made since January 1, 2008, that have aged the indicated number of months.

Foreclosures and Other Home Forfeiture Actions

- Newly initiated foreclosures decreased 16.5 percent from the previous quarter and 27.4 percent from a year earlier. The number of foreclosures in process decreased 6.4 percent from the previous quarter and 12.6 percent from a year earlier (see table 4). The decline in new foreclosures and foreclosures in process reflects a strengthening economy, a declining number of serious delinquencies, and anemphasis on alternatives to foreclosure.

***Table 4.* New Foreclosures and Foreclosures in Process**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Newly Initiated Foreclosures	347,728	292,173	286,951	302,636	252,604	-16.5%	-27.4%
Foreclosures in Process	1,326,019	1,262,294	1,269,921	1,237,025	1,158,269	-6.4%	-12.6%

- Home forfeiture actions totaled 180,309 at the end of the quarter, an increase of 7.7 percent from the previous quarter and 4.0 percent from a year earlier. Completed foreclosures increased by 12.8 percent from the previous quarter and 1.3 percent from a year earlier. Short sales increased by 0.7 percent from the previous quarter and 11.1 percent from a year earlier. Short sales compose more than one-third of home forfeiture actions (see table 5).

Table 5. **Completed Foreclosures and Other Home Forfeiture Actions**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Completed Foreclosures	113,294	116,159	122,979	101,735	114,742	12.8%	1.3%
New Short Sales	57,479	63,257	59,996	63,403	63,860	0.7%	11.1%
New Deed-in-Lieu-of-Foreclosure Actions	2,623	2,939	2,806	2,336	1,707	-26.9%	-34.9%
Total	173,396	182,355	185,781	167,474	180,309	7.7%	4.0%

About Mortgage Metrics

The *OCC Mortgage Metrics Report* presents data on first-lien residential mortgages serviced by eight national banks and a federal savings association with the largest mortgage-servicing portfolios.[2] The data represent 58 percent of all first-lien residential mortgages outstanding in the country and focus on credit performance, loss mitigation efforts, and foreclosures. Almost 92 percent of the mortgages in the portfolio were serviced for investors other than the reporting institutions. At the end of September 2012, the reporting institutions serviced 29.8 million first-lien mortgage loans, totaling $5.1 trillion in unpaid balances (see table 6).

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 may differ from the overall population of mortgages. This report does not attempt to quantify or adjust for known seasonal effects that occur within the mortgage industry.

In addition to providing information to the public, the report and its data support the supervision of national bank and federal savings association mortgage-servicing practices. Examiners use the data to help assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and necessary loan-loss reserves, and assess 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 and the participating institutions devote significant resources to ensuring that the information is reliable and accurate. Steps to ensure the validity of the data include quality assurance processes conducted by the banks and savings association, comprehensive data validation tests performed by a third-party data aggregator, and comparisons with the institutions' quarterly call and thrift financial reports. Data sets of this size and scope inevitably incur some degree of missing or inconsistent data and other imperfections. The OCC requires servicers to adjust previous data submissions when errors and omissions are detected. In some cases, data presented in this report reflect resubmissions from institutions that restate and correct earlier information.

The report also includes mortgage modification data by state and territories in appendix E. These data fulfill reporting requirements in the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Public Law 111-203).

Definitions and Method

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

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[2] The eight national banks are Bank of America, JPMorgan Chase, Citibank, HSBC, MetLife, PNC, U.S. Bank, and Wells Fargo. The federal savings association is OneWest Bank.

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

Approximately 10 percent of mortgages in the portfolio were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime mortgages. In large part, the lack of credit scores results from acquisitions of portfolios from third parties for which borrower credit scores at origination were not available.

Additional definitions include:

- **Completed foreclosures**—Ownership of properties transferred to servicers or investors. The ultimate result is the loss of borrowers' homes because of nonpayment.
- **Deed-in-lieu-of-foreclosure actions**—Actions in which borrowers transfer ownership of the properties (deeds) to servicers in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on borrowers' credit records. Deed-in-lieu-of-foreclosure actions typically have a less adverse impact than foreclosures on borrowers' credit records.
- **Foreclosures in process**—Number of mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the foreclosure process. 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 return their mortgages to current and performing status.
- **Government-guaranteed mortgages**—All mortgages with an explicit guaranty from the U.S. government, including the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and, to a lesser extent, certain other departments. These loans may be held in pools backing Government National Mortgage Association (Ginnie Mae) securities, owned by or securitized through different third-party investors, or held in the portfolios of reporting institutions.
- **Home retention actions**—Loan modifications, trial-period plans, and payment plans that allow borrowers to retain ownership and occupancy of their homes while attempting to return the loans to a current and performing status.
- **Loan modifications**—Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Newly initiated foreclosures**—Mortgages for which the servicers initiate formal foreclosure proceedings during the quarter. 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 in order to return mortgages to a current and performing status.
- **Payment-option, adjustable rate mortgages (ARM)**—Mortgages that allow borrowers to choose a monthly payment that may initially reduce principal, pay interest only, or result in

negative amortization, when some amount of unpaid interest is added to the principal balance of the loan and results in an increased balance.

- **Principal deferral modifications**—Modifications that remove a portion of the principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications**—Modifications that permanently forgive a portion of the principal amount owed on a mortgage.
- **Re-default rates**—Percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As measures of delinquency, this report presents re-default rates using 30, 60, and 90 or more days delinquent and in process of foreclosure. It focuses on the 60-day-delinquent measure. All re-default data presented in this report are based on modified loans in effect for the specified amount of time after the modification. All loans that have been repaid in full, been refinanced, been sold, or completed the foreclosure process are removed from the calculation. Data include only modifications that have had time to age the indicated number of months following the modification.
- **Seriously delinquent loans**—Mortgages that are 60 or more days past due, and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **Short sales**—Sales of the mortgaged properties at prices that net less than the total amount due on the mortgages. Servicers and borrowers negotiate repayment programs, forbearance, or forgiveness for any remaining deficiency on the debt. Short sales typically have a less adverse impact than foreclosures 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 permanent 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 has not been made by the due date of the following scheduled payment. The statistics and calculated ratios are based on the number of loans rather than on the dollar amount outstanding.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, which is rounded to two decimal places. The report uses whole numbers when approximating. Values in tables may not total 100 percent because of rounding.

In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 9/30/12), quarter-to-quarter changes are shown under the column "1Q %Change" column, and year-to-year changes are shown under the column "1Y %Change" column.

In tables throughout this report, percentages shown under "1Q %Change" and "1Y %Change" are calculated using actual data, not the rounded values reported for each quarter. Calculating period-to-period changes from the rounded values reported in the tables may yield materially different values than those values indicated in the table.

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

PART I: Mortgage Performance

Part I describes the performance of the overall mortgage portfolio, mortgages owned and held by the reporting banks and savings association, government-guaranteed mortgages, mortgages serviced for the GSEs, and mortgages within each risk category.

Overall Mortgage Portfolio

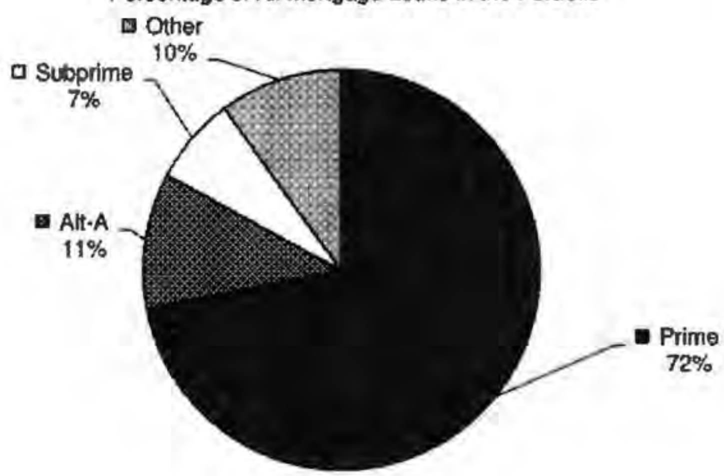
At the end of the third quarter of 2012, the overall mortgage portfolio included 29.8 million loans with $5.1 trillion in unpaid principal balances. The composition of serviced mortgages was stable from previous quarters. Prime loans were 72 percent of the servicing portfolio at quarter end. Subprime loans were 7 percent, and Alt-A loans were 11 percent of the portfolio. Other loans were 10 percent of the portfolio at the end of the quarter.

Table 6. Overall Mortgage Portfolio

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12
Total Servicing (Millions)	$5,598,366	$5,415,566	$5,332,795	$5,222,349	$5,083,746
Total Servicing (Number of Loans)	32,434,997	31,381,140	31,026,381	30,494,357	29,818,751
Composition (Percentage of All Mortgages in the Portfolio)					
Prime	70%	71%	71%	72%	72%
Alt-A	11%	11%	11%	11%	11%
Subprime	7%	7%	7%	7%	7%
Other	12%	11%	11%	10%	10%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,765,207	22,311,549	22,142,982	21,878,183	21,510,869
Alt-A	3,499,907	3,388,098	3,353,124	3,306,092	3,228,111
Subprime	2,426,056	2,307,692	2,260,455	2,182,847	2,083,906
Other	3,743,827	3,373,801	3,269,820	3,127,235	2,995,865

***Figure 1.* Portfolio Composition**

Percentage of All Mortgage Loans in the Portfolio



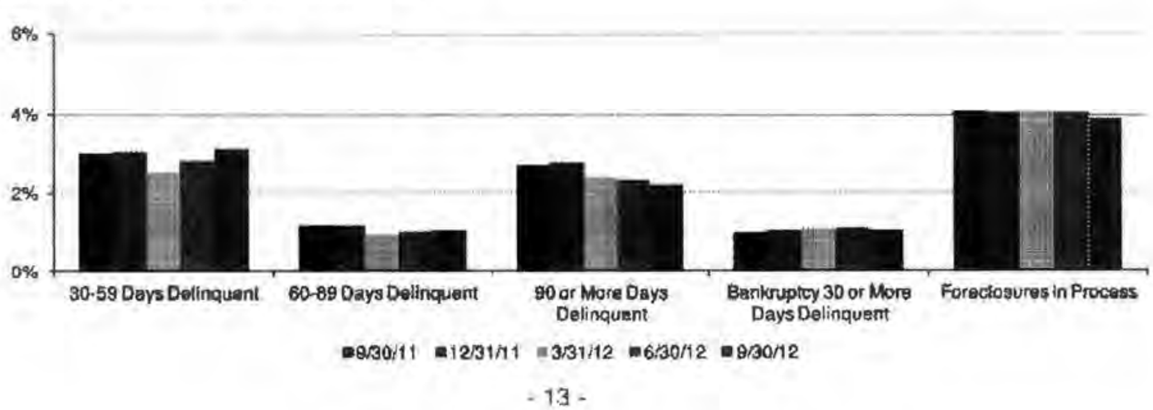
Overall Mortgage Performance

The overall performance of mortgages included in this report deteriorated slightly from last quarter but improved from a year earlier. The percentage of mortgages that were current and performing at the end of the quarter was 88.6 percent, compared with 88.7 percent in the previous quarter and 88.0 percent a year earlier. The percentage of mortgages that were 30 to 59 days past due was 3.1 percent, an increase of 10.4 percent from the previous quarter and 3.6 percent from a year earlier. The percentage of mortgages in the foreclosure process at the end of the quarter was 3.9 percent of the portfolio, a decrease of 4.2 percent from the previous quarter and 5.0 percent from the previous year.

***Table 7.* Overall Portfolio Performance**

(Percentage of Mortgages in the Portfolio)	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Current and Performing	88.0%	88.0%	88.9%	88.7%	88.6%	-0.05%	0.7%
30–59 Days Delinquent	3.0%	3.0%	2.5%	2.8%	3.1%	10.4%	3.6%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.2%	1.2%	0.9%	1.0%	1.1%	5.8%	-10.0%
90 or More Days Delinquent	2.7%	2.8%	2.5%	2.3%	2.2%	-4.4%	-17.9%
Bankruptcy 30 or More Days Delinquent	1.0%	1.0%	1.1%	1.1%	1.1%	-2.7%	7.3%
Subtotal for Seriously Delinquent	**4.9%**	**5.0%**	**4.5%**	**4.4%**	**4.4%**	**-1.7%**	**-10.8%**
Foreclosures in Process	4.1%	4.0%	4.1%	4.1%	3.9%	-4.2%	-5.0%
(Number of Mortgages in the Portfolio)							
Current and Performing	28,550,780	27,600,497	27,589,940	27,046,778	26,434,199	-2.3%	-7.4%
30–59 Days Delinquent	972,727	952,719	779,022	858,330	926,296	7.9%	-4.8%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	384,666	371,164	291,663	307,759	318,254	3.4%	-17.3%
90 or More Days Delinquent	876,961	867,508	760,736	708,741	662,207	-6.6%	-24.5%
Bankruptcy 30 or More Days Delinquent	323,844	326,958	335,099	335,724	319,506	-4.8%	-1.3%
Subtotal for Seriously Delinquent	**1,585,471**	**1,565,630**	**1,387,498**	**1,352,224**	**1,299,967**	**-3.9%**	**-18.0%**
Foreclosures in Process	1,326,019	1,262,294	1,269,921	1,237,025	1,158,289	-6.4%	-12.6%
Total	32,434,997	31,381,140	31,026,381	30,494,357	29,818,751	-2.2%	-8.1%

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



Performance of Mortgages Held by Reporting Banks and Thrift

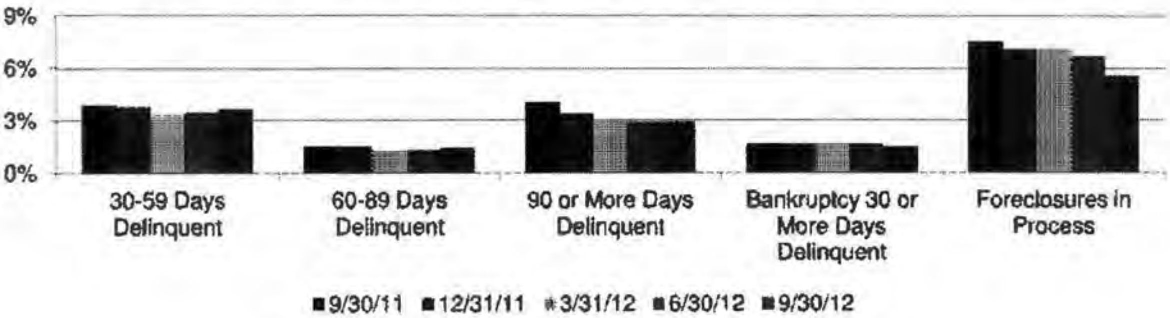
The nine reporting institutions held 8.0 percent of the 29.8 million mortgages included in this report in their own portfolios at the end of the quarter. This does not include government-guaranteed mortgages held by these institutions. The remaining mortgages were serviced for other entities. The performance of mortgages held by the reporting institutions improved from the previous quarter and a year earlier. The percentage of these mortgages that were current at the end of the quarter was 84.9 percent, an increase from 84.0 percent the previous quarter and 81.4 percent a year earlier. The percentage of these mortgages that were 30 to 59 days delinquent at the end of the quarter was 3.7 percent, a 6.6 percent increase from the previous quarter but a 4.5 percent decrease from a year earlier. The percentage of these mortgages that were seriously delinquent at quarter end was 5.8 percent, a decrease of 1.0 percent from the previous quarter and 19.5 percent from a year earlier. The percentage of these mortgages in the process of foreclosure was 5.6 percent, a decrease of 16.6 percent from the previous quarter and 25.4 percent from a year earlier. Since the first quarter of 2009, mortgages held in the servicers' portfolios have performed worse than mortgages serviced for GSEs and government-guaranteed mortgages because of concentrations in nontraditional loans and weaker geographic markets and, more recently, delinquent loans repurchased from investors.

Table 8. Performance of Mortgages Held by Reporting Banks and Thrift (Percentage)*

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Current and Performing	81.4%	82.6%	83.9%	84.0%	84.9%	1.1%	4.3%
30–59 Days Delinquent	3.8%	3.8%	3.3%	3.4%	3.7%	6.6%	-4.5%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	1.5%	1.5%	1.3%	1.3%	1.4%	8.7%	-7.6%
90 or More Days Delinquent	4.0%	3.4%	3.1%	2.9%	2.9%	-0.8%	-27.9%
Bankruptcy 30 or More Days Delinquent	1.7%	1.6%	1.7%	1.6%	1.5%	-8.8%	-10.2%
Subtotal for Seriously Delinquent	7.2%	6.5%	6.0%	5.9%	5.8%	-1.0%	-19.5%
Foreclosures In Process	7.5%	7.1%	7.1%	6.7%	5.6%	-16.6%	-25.4%
Performance of Mortgages Held by Reporting Banks and Thrift (Number)							
Current and Performing	1,909,516	1,971,555	1,938,500	2,008,711	2,032,227	1.2%	6.4%
30–59 Days Delinquent	90,050	90,346	76,967	82,270	87,753	6.7%	-2.6%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	35,675	35,636	29,561	30,957	33,654	8.7%	-5.7%
90 or More Days Delinquent	94,524	80,609	71,355	70,144	69,591	-0.8%	-26.4%
Bankruptcy 30 or More Days Delinquent	38,799	39,148	39,150	38,968	35,560	-8.7%	-8.3%
Subtotal for Seriously Delinquent	168,998	155,393	140,066	140,069	138,805	-0.9%	-17.9%
Foreclosures In Process	175,969	169,064	165,679	160,595	134,051	-16.5%	-23.8%
Total	2,344,533	2,386,358	2,321,212	2,391,845	2,392,836	0.0%	2.1%

*The data in this table exclude government-guaranteed mortgages owned and held by the reporting institutions.

Figure 3. **Performance of Mortgages Held by Reporting Banks and Thrift**

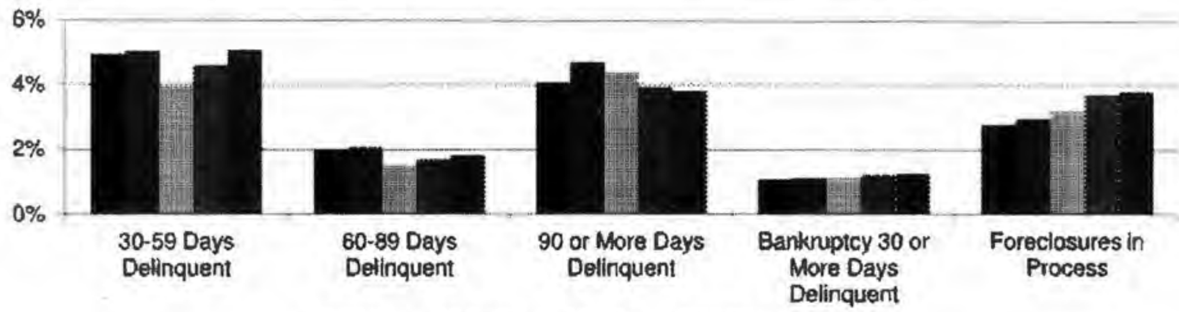


Performance of Government-Guaranteed Mortgages

Government-guaranteed mortgages were 23.5 percent of the mortgages in this report at the end of the quarter, compared with 21.4 percent a year earlier. The percentage of government-guaranteed mortgages that were current and performing at the end of the quarter was 84.3 percent, down from 84.9 percent at the end of the previous quarter and 85.2 percent a year earlier. The percentage of loans that was 30 to 59 days delinquent was 5.1 percent at the end of the quarter, an increase of 10.7 percent from the previous quarter and 4.1 percent from a year earlier. The percentage of these loans that were seriously delinquent was 6.8 percent at the end of the quarter, a 0.6 percent increase from the previous quarter but a 3.4 percent decrease from a year earlier. The percentage of government-guaranteed loans in the process of foreclosure at the end of the quarter was 3.8 percent, an increase of 1.9 percent from the previous quarter and 37.5 percent from a year earlier. More than 79 percent of these loans were FHA loans, 15 percent were VA loans, and 6 percent were other government-guaranteed mortgages. Almost 86 percent of the government-guaranteed mortgages were in pools of loans backing Ginnie Mae securities.

Table 9. Performance of Government-Guaranteed Mortgages (Percentage)							
	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Current and Performing	85.2%	84.2%	85.9%	84.9%	84.3%	-0.7%	-1.1%
30–59 Days Delinquent	4.9%	5.0%	3.9%	4.6%	5.1%	10.7%	4.1%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	2.0%	2.0%	1.5%	1.7%	1.8%	8.0%	-8.6%
90 or More Days Delinquent	4.1%	4.7%	4.4%	3.9%	3.8%	-3.1%	-6.9%
Bankruptcy 30 or More Days Delinquent	1.1%	1.1%	1.1%	1.2%	1.2%	2.5%	17.1%
Subtotal for Seriously Delinquent	7.1%	7.8%	7.0%	6.8%	6.8%	0.6%	-3.4%
Foreclosures in Process	2.8%	2.9%	3.2%	3.7%	3.8%	1.9%	37.5%
Performance of Government-Guaranteed Mortgages (Number)							
Current and Performing	5,914,032	5,766,800	5,940,585	5,938,802	5,907,788	-0.5%	-0.1%
30–59 Days Delinquent	342,104	345,295	270,710	320,119	354,898	10.9%	3.7%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	136,485	139,849	101,989	116,506	126,005	8.2%	-7.7%
90 or More Days Delinquent	281,264	321,608	304,492	274,075	266,172	-2.9%	-5.4%
Bankruptcy 30 or More Days Delinquent	73,375	75,869	79,266	84,502	86,793	2.7%	18.3%
Subtotal for Seriously Delinquent	491,124	537,326	485,747	475,083	478,970	0.8%	-2.5%
Foreclosures in Process	191,055	201,460	222,848	259,880	265,324	2.1%	38.9%
Total	6,938,315	6,850,881	6,919,890	6,993,884	7,006,980	0.2%	1.0%

Figure 4. **Performance of Government-Guaranteed Mortgages**



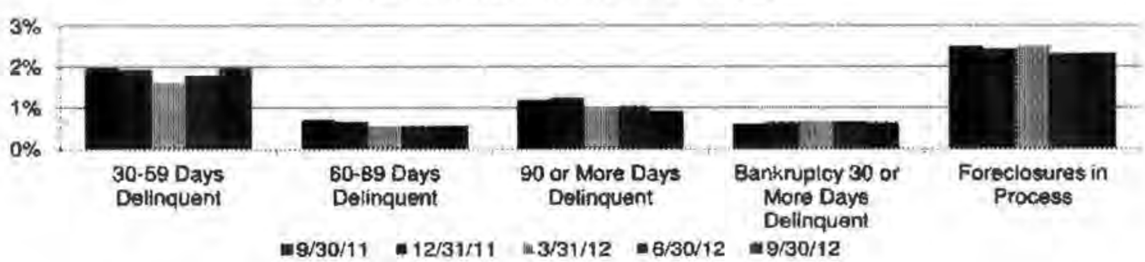
Performance of GSE Mortgages

GSE mortgages made up 58.0 percent of the mortgages in this report. GSE mortgages perform better than the overall portfolio because they contain more prime loans. The percentage of GSE mortgages that were current at the end of the third quarter of 2012 was 93.6 percent. The percentage of GSE mortgages that were 30 to 59 days delinquent at the end of the quarter was 2.0 percent, a 10.7 percent increase from the previous quarter but a slight decrease from a year earlier. The percentage of GSE mortgages that were seriously delinquent was 2.1 percent, a decrease of 6.2 percent from the previous quarter and 14.5 percent from a year earlier. The percentage of these loans in the foreclosure process was 2.3 percent, a decrease of 0.5 percent from the previous quarter and 7.5 percent from a year earlier. Of the GSE mortgages, 59 percent were serviced for Fannie Mae and 41 percent for Freddie Mac.

Table 10. Performance of GSE Mortgages (Percentage)

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Current and Performing	93.1%	93.1%	93.7%	93.7%	93.6%	-0.04%*	0.6%
30–59 Days Delinquent	2.0%	1.9%	1.6%	1.8%	2.0%	10.7%	-0.07%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	0.7%	0.7%	0.5%	0.6%	0.6%	0.3%	-18.6%
90 or More Days Delinquent	1.2%	1.2%	1.0%	1.0%	0.9%	-11.2%	-22.0%
Bankruptcy 30 or More Days Delinquent	0.6%	0.6%	0.8%	0.7%	0.6%	-3.9%	5.1%
Subtotal for Seriously Delinquent	**2.5%**	**2.5%**	**2.2%**	**2.2%**	**2.1%**	**-6.2%**	**-14.5%**
Foreclosures in Process	2.5%	2.4%	2.5%	2.3%	2.3%	-0.5%	-7.5%
Performance of GSE Mortgages (Number)							
Current and Performing	18,011,623	17,265,388	17,153,725	16,672,691	16,201,644	-2.8%	-10.0%
30–59 Days Delinquent	379,598	357,477	296,501	315,274	339,212	7.6%	-10.6%
The Following Three Categories Are Classified as Seriously Delinquent							
60–89 Days Delinquent	133,734	121,162	98,584	99,844	97,349	-2.5%	-27.2%
90 or More Days Delinquent	227,724	227,860	177,483	183,985	158,756	-13.7%	-30.3%
Bankruptcy 30 or More Days Delinquent	115,759	116,843	118,413	116,482	108,841	-6.6%	-6.0%
Subtotal for Seriously Delinquent	**477,217**	**465,865**	**394,480**	**400,311**	**364,946**	**-8.8%**	**-23.5%**
Foreclosures in Process	484,867	449,138	458,137	414,623	401,150	-3.2%	-17.3%
Total	19,353,303	18,537,888	18,302,843	17,802,895	17,306,952	-2.8%	-10.6%

Figure 5. **Performance of GSE Mortgages**



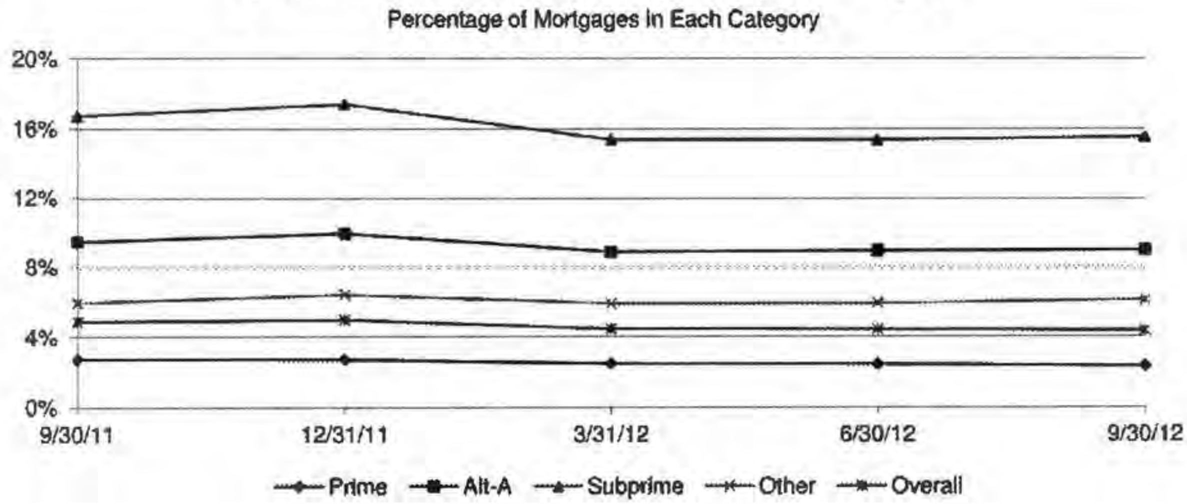
Seriously Delinquent Mortgages, by Risk Category

The portfolio contained 285,504 fewer seriously delinquent loans at the end of the third quarter of 2012 compared with a year earlier—an 18.0 percent decrease. Seriously delinquent loans were 4.4 percent of the portfolio at the end of the quarter, a decrease of 1.7 percent from the previous quarter and 10.8 percent from a year earlier. The percentage of seriously delinquent loans is at its lowest level in three years. The number of seriously delinquent loans has decreased from both the previous quarter and one year ago across all risk categories.

Table 11. Seriously Delinquent Mortgages, by Risk Category

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	2.7%	2.7%	2.5%	2.4%	2.3%	-4.6%	-15.1%
Alt-A	9.5%	9.9%	8.9%	9.0%	9.0%	0.6%	-4.8%
Subprime	16.7%	17.4%	15.4%	15.4%	15.5%	1.1%	-7.1%
Other	6.0%	6.4%	5.9%	5.9%	6.1%	3.3%	2.8%
Overall	4.9%	5.0%	4.5%	4.4%	4.4%	-1.7%	-10.8%
(Number of Mortgages in Each Category)							
Prime	625,560	610,063	548,312	535,413	502,019	-6.2%	-19.7%
Alt-A	331,200	337,061	298,284	296,029	290,702	-1.8%	-12.2%
Subprime	405,624	401,293	347,641	335,217	323,643	-3.5%	-20.2%
Other	223,087	217,213	193,261	185,565	183,603	-1.1%	-17.7%
Total	1,585,471	1,565,630	1,387,498	1,352,224	1,299,967	-3.9%	-18.0%

Figure 6. Seriously Delinquent Mortgages, by Risk Category



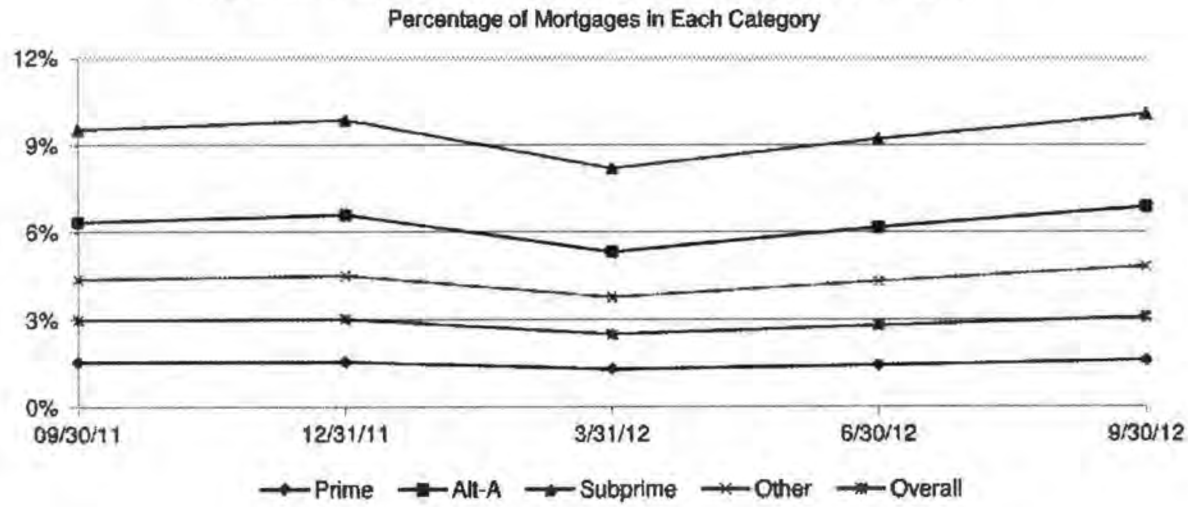
Mortgages 30 to 59 Days Delinquent, by Risk Category

The percentage of loans that were 30 to 59 days delinquent was 3.1 percent of the portfolio at the end of the quarter, an increase of 10.4 percent from the previous quarter and 3.6 percent from a year earlier.

Table 12. **Mortgages 30 to 59 Days Delinquent, by Risk Category**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
(Percentage of Mortgages in Each Category)							
Prime	1.6%	1.6%	1.3%	1.5%	1.6%	11.6%	3.8%
Alt-A	6.3%	6.6%	5.3%	6.2%	6.9%	11.7%	8.8%
Subprime	9.6%	9.9%	8.2%	9.2%	10.1%	9.4%	5.8%
Other	4.4%	4.5%	3.8%	4.3%	4.8%	11.9%	10.5%
Overall	3.0%	3.0%	2.5%	2.8%	3.1%	10.4%	3.6%
(Number of Mortgages in Each Category)							
Prime	355,421	348,561	291,413	317,666	348,451	9.7%	-2.0%
Alt-A	221,983	223,717	178,864	204,105	222,620	9.1%	0.3%
Subprime	231,789	228,396	185,842	201,675	210,622	4.4%	-9.1%
Other	163,584	152,045	122,903	134,884	144,603	7.2%	-11.6%
Total	972,727	952,719	779,022	858,330	926,296	7.9%	-4.8%

Figure 7. **Mortgages 30 to 59 Days Delinquent, by Risk Category**



PART II: Home Retention Actions

Home retention actions include loan modifications, in which servicers modify one or more mortgage contract terms; trial-period plans, in which the loans will be converted to modifications upon successful 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 can help the borrower become current on the loan, attain payment sustainability, and retain the home.

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

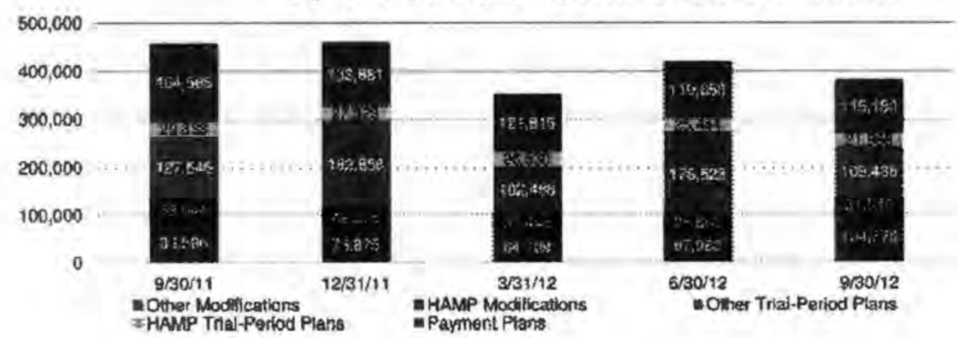
New Home Retention Actions

Servicers implemented 382,899 home retention actions—loan modifications, trial-period plans, and payment plans—during the third quarter of 2012. The number of home retention actions decreased 8.9 percent from the previous quarter and 16.6 from a year earlier. Servicers implemented 136,316 modifications, 39,694 more than in the prior quarter. New HAMP modifications increased 10.0 percent to 31,540 during the quarter, and other modifications increased 54.2 percent to 104,776. Servicers implemented 131,403 new trial-period plans, a decrease of 35.6 percent from the previous quarter and 16.2 percent from a year earlier. New payment plans decreased by 3.9 percent to 115,180. During the past five quarters, servicers initiated 2.1 million home retention actions—588,782 modifications, 831,453 trial-period plans, and 655,294 payment plans.

Table 13. **Number of New Home Retention Actions**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Other Modifications	83,596	73,875	64,709	67,962	104,776	54.2%	25.3%
HAMP Modifications	53,941	42,275	37,448	28,660	31,540	10.0%	-41.5%
Other Trial-Period Plans	127,545	182,856	102,486	178,528	109,435	-38.7%	-14.2%
HAMP Trial-Period Plans	29,338	27,323	26,530	25,444	21,968	-13.7%	-25.1%
Payment Plans	164,568	133,881	121,815	119,850	115,180	-3.9%	-30.0%
Total	458,988	460,210	352,988	420,444	382,899	-8.9%	-16.6%

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



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

Of the 31,540 HAMP modifications implemented during the third quarter of 2012, 43.4 percent went to mortgages serviced for the GSEs, 32.6 percent to mortgages serviced for private investors, 4.2 percent to government-guaranteed mortgages, and 19.7 percent to loans held in portfolio. Prime mortgages, which represented 72.1 percent of the total portfolio, received 51.9 percent of all HAMP modifications, while subprime loans, which represented 7.0 percent of the total portfolio, received 19.1 percent of HAMP modifications during the quarter.

Table 14. HAMP Modifications, by Investor and Risk Category
(Modifications Implemented in the Third Quarter of 2012)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	4,053	4,236	464	3,010	4,592	16,355
Alt-A	1,226	1,161	376	1,432	1,960	6,155
Subprime	621	633	293	1,555	2,933	6,035
Other	1,175	585	201	222	812	2,995
Total	7,075	6,615	1,334	6,219	10,297	31,540

Servicers implemented 21,968 HAMP trial-period plans during the quarter, a decrease of 13.7 percent from the 25,444 HAMP trial-period plans initiated in the previous quarter. GSE mortgages received 40.9 percent of HAMP trial-period plans initiated during the quarter, while 33.5 percent went to mortgages serviced for private investors. Prime mortgages received 50.5 percent of the HAMP trial-period plans implemented during the quarter, while Alt-A and subprime mortgages collectively received 40.1 percent.

Table 15. HAMP Trial-Period Plans, by Investor and Risk Category
(Trial-Period Plans Implemented in the Third Quarter of 2012)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	2,607	2,835	668	1,831	3,145	11,086
Alt-A	727	753	643	768	1,406	4,297
Subprime	459	393	453	814	2,383	4,502
Other	831	373	308	142	429	2,083
Total	4,624	4,354	2,072	3,555	7,363	21,968

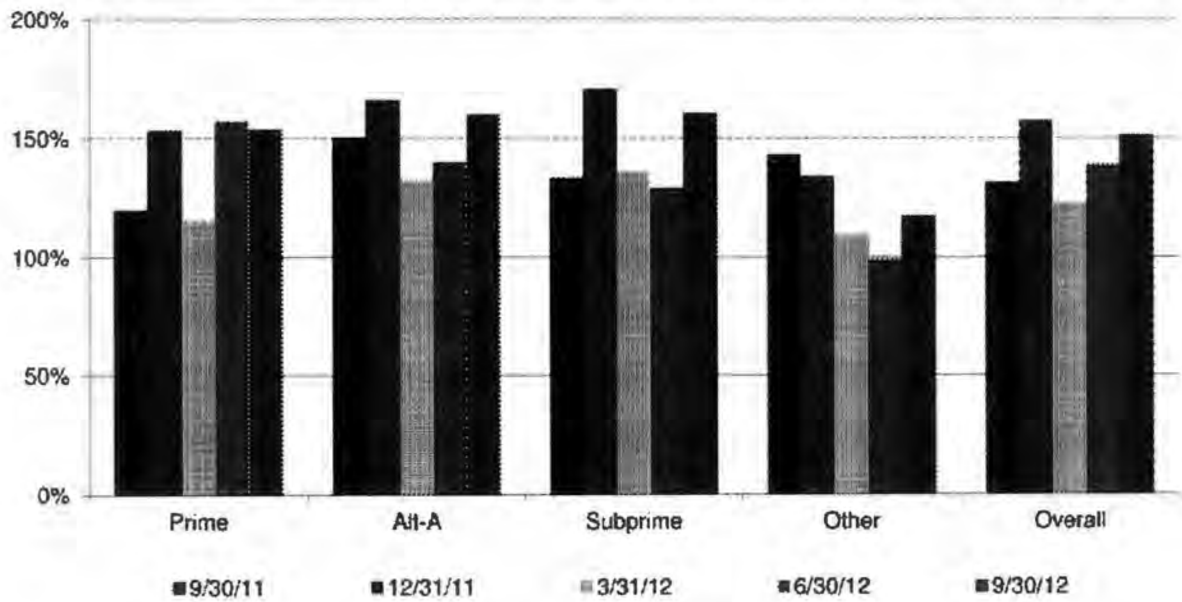
New Home Retention Actions Relative to Newly Initiated Foreclosures

Servicers continued to implement more home retention actions than foreclosures. New home retention actions and new foreclosure actions both decreased from the previous quarter, with new home retention actions decreasing less than newly initiated foreclosures.

Table 16. Percentage of New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	120.2%	153.6%	115.8%	157.3%	154.1%	-2.1%	28.2%
Alt-A	150.7%	166.5%	133.0%	140.3%	160.2%	14.2%	6.3%
Subprime	133.8%	171.0%	136.5%	129.6%	160.6%	24.0%	20.1%
Other	143.5%	134.7%	109.8%	99.1%	118.0%	19.0%	-17.8%
Overall	132.0%	157.5%	123.0%	138.9%	151.6%	9.1%	14.8%
Number of New Home Retention Actions	458,968	460,210	352,988	420,444	382,899	-8.9%	-16.6%
Number of Newly Initiated Foreclosures	347,728	292,173	286,951	302,636	252,604	-16.5%	-27.4%

Figure 9. **New Home Retention Actions Relative to Newly Initiated Foreclosures, by Risk Category**



Types of Modification Actions

The types of modification actions or combinations of actions have different effects on the borrowers' mortgages and their monthly principal and interest payments. Different actions may, over time, have different effects on the long-term sustainability of mortgages. Servicers often use a combination of actions when modifying mortgages, with 94 percent of modifications implemented during the third quarter of 2012 changing more than one of the original loan terms. Capitalization, interest-rate reduction, and term extension remain the primary actions taken with loan modifications, but the use of principal reduction in modifications has increased over the last five quarters.

Servicers capitalized missed fees and payments in 90.4 percent of modifications completed during the quarter, reduced interest rates in 77.2 percent, and extended loan maturity in 64.8 percent. Servicers deferred repayment of some portion of the principal balance in 19.1 percent of modifications made during the quarter, down 3.4 percent from the previous quarter and 6.7 percent from a year earlier. The percentage of modifications that included principal reduction increased to 17.1 percent in the third quarter of 2012, more than doubling from 8.1 percent a year ago. Because most modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total modifications. Appendix D presents additional detail on combination modifications.

Table 17. Changes in Loan Terms for Modifications Made During the Third Quarter of 2012

(Percentage of Total Modifications in Each Category)							
	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Capitalization	88.5%	93.3%	91.6%	79.8%	90.4%	13.3%	2.2%
Rate Reduction	77.5%	78.2%	80.6%	78.8%	77.2%	-1.9%	-0.4%
Rate Freeze	4.6%	6.4%	6.2%	6.3%	6.9%	11.0%	50.8%
Term Extension	57.8%	55.5%	73.7%	61.8%	64.8%	4.8%	12.1%
Principal Reduction	8.1%	8.5%	10.2%	15.5%	17.1%	10.7%	110.6%
Principal Deferral	20.5%	24.5%	24.6%	19.8%	19.1%	-3.4%	-6.7%
Not Reported*	1.0%	1.5%	1.2%	0.7%	0.4%	-50.5%	-61.7%
(Number of Changes in Each Category)							
Capitalization	121,662	108,365	93,573	77,115	123,275	59.9%	1.3%
Rate Reduction	106,650	90,776	82,362	76,093	105,279	38.4%	-1.3%
Rate Freeze	6,328	7,419	6,345	6,039	9,459	56.6%	49.5%
Term Extension	79,535	64,491	75,256	59,755	88,350	47.9%	11.1%
Principal Reduction	11,178	9,866	10,404	14,944	23,335	56.1%	108.8%
Principal Deferral	28,133	28,498	25,154	19,095	26,021	36.3%	-7.5%
Not Reported*	1,327	1,750	1,190	722	504	-30.2%	-62.0%

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

Types of HAMP Modification Actions

HAMP modifications follow a prescribed series of actions to attain a targeted monthly mortgage payment. Consistent with modification actions overall and the prescribed order of actions required by HAMP, these modifications most often included capitalization of missed payments and fees, interest-rate reductions, and term extensions. Servicers used principal deferral, another prescribed action in HAMP, in 30.5 percent of HAMP modifications during the third quarter of 2012, up slightly from 30.4 percent in the previous quarter and down from 34.9 percent a year ago. Principal reduction was used in 24.7 percent of HAMP modifications implemented during the quarter—up from 21.4 percent in the previous quarter and 11.1 percent a year earlier.

Table 18. **Changes in Loan Terms for HAMP Modifications During the Third Quarter of 2012**

(Percentage of Total Modifications in Each Category)	9/30/11	12/31/11	3/31/2012	6/30/2012	9/30/2012	1Q %Change	1Y %Change
Capitalization	93.7%	97.3%	97.0%	98.4%	98.2%	-0.3%	4.8%
Rate Reduction	86.8%	88.5%	90.0%	87.5%	85.6%	-2.2%	-1.4%
Rate Freeze	2.2%	3.3%	4.0%	3.1%	3.2%	5.4%	46.8%
Term Extension	48.4%	49.9%	73.0%	58.3%	55.0%	-5.7%	13.6%
Principal Reduction	11.1%	15.6%	21.0%	21.4%	24.7%	15.7%	123.3%
Principal Deferral	34.9%	38.5%	32.9%	30.4%	30.5%	0.3%	-12.6%
Not Reported*	0.2%	0.1%	0.1%	0.1%	0.1%	-40.6%	-71.8%
(Number of Changes in Each Category)							
Capitalization	50,522	41,143	36,323	28.210	30,960	9.7%	-38.7%
Rate Reduction	46,813	37,418	33.690	25,080	26,895	7.6%	-42.3%
Rate Freeze	1,186	1,388	1,496	878	1,018	15.9%	-14.2%
Term Extension	26,123	21,084	27,329	16.719	17,347	3.8%	-33.6%
Principal Reduction	5,978	6,596	7.856	6,132	7,805	27.3%	30.6%
Principal Deferral	18,827	16,295	12,304	8,722	9,625	10.4%	-48.9%
Not Reported*	103	37	25	26	17	-34.6%	-83.5%

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

Types of Modification Actions, by Risk Category

Servicers use a combination of actions when modifying mortgages, and no single action can be identified as the primary component of a successful modification. Modifications across all risk categories predominantly featured interest-rate reduction and term extension in addition to the capitalization of past-due interest and fees. Because most modifications changed more than one term, the sum of individual features changed exceeded the total number of modified loans in each risk category. While most actions were used relatively consistently across all risk categories, principal deferral was used most extensively in prime loans, and principal reduction was used at a higher rate among subprime loans.

Table 19. Changes in Loan Terms for Modifications, by Risk Category, During Third Quarter 2012

(Percentage of Total Modifications in Each Category)	Prime	Alt-A	Subprime	Other	Overall
Capitalization	87.5%	92.3%	92.4%	94.1%	90.4%
Rate Reduction	75.7%	78.2%	77.2%	82.0%	77.2%
Rate Freeze	7.0%	6.2%	7.9%	6.2%	6.9%
Term Extension	61.5%	67.6%	63.2%	77.1%	64.8%
Principal Reduction	17.4%	16.8%	20.8%	7.3%	17.1%
Principal Deferral	24.1%	16.7%	13.6%	16.0%	19.1%
Not Reported*	0.4%	0.3%	0.2%	0.7%	0.4%
(Number of Changes in Each Category)					
Total Mortgages Modified	58,987	30,040	33,755	13,534	136,316
Capitalization	51,613	27,735	31,186	12,741	123,275
Rate Reduction	44,646	23,478	26,053	11,102	105,279
Rate Freeze	4,106	1,861	2,656	836	9,459
Term Extension	36,273	20,316	21,323	10,438	88,350
Principal Reduction	10,292	5,042	7,015	986	23,335
Principal Deferral	14,236	5,029	4,588	2,168	26,021
Not Reported*	243	94	72	95	504

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

Types of Modification Actions, by Investor and Product Type

Modifications of mortgages serviced for the GSEs accounted for 30.6 percent of all modifications made during the third quarter of 2012. Government-guaranteed loans received 24.5 percent of all modifications, mortgages serviced for private investors received 20.8 percent, and mortgages held in the servicers' own portfolios received 24.2 percent of all second-quarter modifications. Interest-rate reduction and capitalization of missed payments and fees remained the primary types of modification actions for all investors, as well as term extension for all except private investors. Principal reduction was used almost exclusively in modifications of loans held in portfolio or serviced for private investors because Fannie Mae and Freddie Mac do not allow modifications with principal reduction. Because modifications often change more than one loan term, the sum of the actions exceeded the number of modified loans for each investor.

Table 20. **Type of Modification Action, by Investor and Product Type, During Third Quarter 2012**

(Percentage of Total Modifications in Each Category)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	97.5%	98.3%	96.6%	83.3%	80.9%	90.4%
Rate Reduction	71.1%	79.9%	97.6%	61.1%	73.7%	77.2%
Rate Freeze	6.6%	2.7%	0.4%	7.6%	15.5%	6.9%
Term Extension	84.7%	90.2%	98.2%	14.6%	46.2%	64.8%
Principal Reduction	0.0%	0.0%	0.3%	38.0%	37.8%	17.1%
Principal Deferral	31.0%	44.5%	0.2%	28.2%	8.4%	19.1%
Not Reported*	0.6%	0.3%	0.0%	0.8%	0.2%	0.4%
(Number of Changes in Each Category)						
Total Mortgages Modified	24,528	17,127	33,332	28,287	33,042	136,316
Capitalization	23,905	16,839	32,215	23,569	26,747	123,275
Rate Reduction	17,435	13,677	32,527	17,285	24,355	105,279
Rate Freeze	1,628	457	123	2,146	5,105	9,459
Term Extension	20,785	15,457	32,729	4,128	15,251	88,350
Principal Reduction**	9	3	89	10,746	12,488	23,335
Principal Deferral	7,592	7,630	52	7,963	2,784	26,021
Not Reported	159	50	12	226	57	504

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

** The principal reduction actions reflected in this table represent coding errors to be corrected in subsequent reporting periods.

Types of HAMP Modification Actions, by Investor and Product Type

Of the 31,540 HAMP modifications implemented in the third quarter of 2012, 43.4 percent were on GSE mortgages, 32.6 percent were on mortgages serviced for private investors, 19.7 percent were on mortgages held in servicers' portfolios, and 4.2 percent were on government-guaranteed loans. Consistent with total modification actions, the prevailing actions among HAMP modifications were capitalization of past-due interest and fees, interest-rate reduction, and term extension. Principal deferral was used in a significant number of HAMP modifications for all investors other than government-guaranteed loans, and principal reduction was concentrated in loans held in portfolio and serviced for private investors.

Table 21. **Type of HAMP Modification Action, by Investor and Product Type, During Third Quarter 2012**

(Percentage of Total Modifications in Each Category)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	99.5%	99.7%	70.5%	99.5%	98.7%	98.2%
Rate Reduction	90.1%	94.6%	92.7%	79.4%	79.6%	85.6%
Rate Freeze	0.3%	0.0%	1.1%	7.0%	4.1%	3.2%
Term Extension	72.9%	78.2%	98.1%	10.8%	73.9%	55.0%
Principal Reduction	0.1%	0.0%	0.6%	35.8%	66.0%	24.7%
Principal Deferral	29.0%	32.9%	1.9%	39.7%	20.7%	30.5%
Not Reported*	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%
(Number of Changes in Each Category)						
Total Mortgages Modified	7,075	6,615	1,334	10,297	6,219	31,540
Capitalization	7,041	6,593	940	10,246	6,140	30,960
Rate Reduction	6,374	6,256	1,237	8,178	4,950	26,995
Rate Freeze	22	1	15	724	256	1,018
Term Extension	5,155	5,172	1,309	1,113	4,598	17,347
Principal Reduction**	6	0	8	3,689	4,102	7,805
Principal Deferral	2,051	2,179	26	4,083	1,286	9,625
Not Reported	7	1	1	3	5	17

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

**The six principal reduction actions reported for Fannie Mae in this table represent coding errors to be corrected in subsequent reporting periods.

Changes in Monthly Payments Resulting From Modification

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

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

Mortgage modifications may increase monthly payments when borrowers and servicers agree to add past-due interest, advances for taxes or insurance and other fees to the loan balances and re-amortize the new balances over the remaining life of the mortgages. The interest rate or maturity of the loans may be changed on these modifications but not enough to offset the increase in payments caused by the additional capitalized principal. Modifications may also result in increased monthly payments when interest rates or principal payments on ARMs and payment-option ARMs are reset higher but by less than the amount indicated in the original mortgage contracts.

Modifications that increase payments may be appropriate when borrowers resolve temporary problems with cash flow, or otherwise have reasonable prospects of making higher payments to repay the debt over time. However, during periods of prolonged economic stress, this strategy carries additional risk, underscoring the importance of verifying borrowers' income and debt-payment ability so that borrowers and servicers have confidence that the modifications will be sustainable.

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

Changes in Monthly Payments Resulting From Modifications, by Quarter

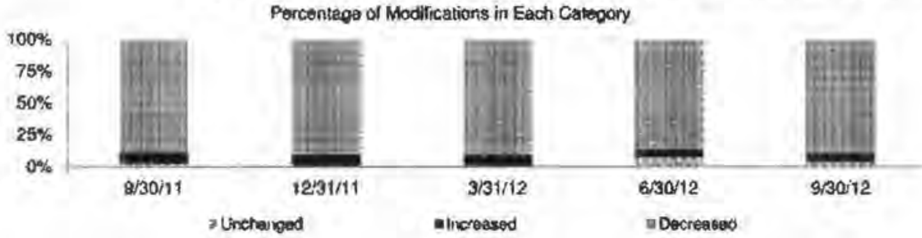
Almost 90 percent of modifications made in the quarter reduced monthly principal and interest payments, and more than 54 percent of the modifications reduced payments by 20 percent or more. More than 20 percent of modifications during the quarter reduced payments between 10 percent and 20 percent, and another 15 percent reduced payments by less than 10 percent.

Table 22. Changes in Monthly Principal and Interest Payments Resulting From Modifications (Percentage of Modifications in Each Category)*							
	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Decreased by 20% or More	53.6%	59.5%	62.7%	52.1%	54.4%	4.4%	1.5%
Decreased by 10% to Less Than 20%	18.3%	16.7%	15.9%	21.2%	20.2%	-4.7%	10.4%
Decreased by Less Than 10%	17.5%	15.0%	12.9%	13.0%	15.0%	15.8%	-14.2%
Subtotal for Decreased	**89.4%**	**91.2%**	**91.5%**	**86.2%**	**89.6%**	**3.9%**	**0.2%**
Unchanged	2.4%	0.8%	1.0%	7.7%	4.1%	-45.8%	70.2%
Increased	8.2%	7.9%	7.4%	6.1%	6.3%	2.7%	-23.4%
Subtotal for Unchanged and Increased	**10.6%**	**8.8%**	**8.5%**	**13.8%**	**10.4%**	**-24.3%**	**-2.0%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
(Number of Modifications in Each Category)							
Decreased by 20% or More	73,352	68,415	63,716	50,088	73,858	47.5%	0.7%
Decreased by 10% to Less Than 20%	25,054	19,256	16,218	20,379	27,439	34.6%	9.5%
Decreased by Less Than 10%	23,971	17,221	13,134	12,476	20,397	63.5%	-14.9%
Subtotal for Decreased	**122,377**	**104,892**	**93,068**	**82,943**	**121,694**	**46.7%**	**-0.6%**
Unchanged	3,335	972	1,059	7,362	5,633	-23.5%	68.9%
Increased	11,202	9,138	7,558	5,868	8,508	45.0%	-24.0%
Subtotal for Unchanged and Increased	**14,537**	**10,110**	**8,617**	**13,230**	**14,141**	**6.9%**	**-2.7%**
Total	136,914	115,002	101,685	96,173	135,835	41.2%	-0.8%

* No payment change information was reported on 623 modifications in the third quarter of 2011, 1,148 in the fourth quarter of 2011, 472 in the first quarter of 2012, 449 in the second quarter of 2012 and 481 in the third quarter of 2012.

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

Percentage of Modifications in Each Category



Changes in Monthly Payments Resulting From HAMP Modifications, by Quarter

More than 97 percent of HAMP modifications completed during the third quarter of 2012 reduced borrower monthly payments, with 76.2 percent reducing payments by 20 percent or more. In addition to achieving lower payments, HAMP attempts to increase payment sustainability by targeting monthly payments at 31 percent of borrowers' income. Performance data on all modifications shows that reduced monthly payments result in lower re-default rates over time, and that the greater the decrease in payment, the lower the rate of re-default.

Table 23. Changes in Monthly Principal and Interest Payments Resulting From HAMP Modifications

(Percentage of HAMP Modifications in Each Category)*/**

	9/30/11	12/31/11	3/31/12	6/30/2012	9/30/12	1Q %Change	1Y %Change
Decreased by 20% or More	75.8%	77.5%	76.1%	76.3%	76.2%	-0.06%	0.5%
Decreased by 10% to Less Than 20%	13.6%	12.5%	12.4%	13.1%	12.6%	-3.4%	-7.0%
Decreased by Less Than 10%	9.2%	8.6%	9.0%	8.7%	8.6%	-1.2%	-6.8%
Subtotal for Decreased	**98.6%**	**98.6%**	**97.5%**	**98.0%**	**97.4%**	-0.6%	-1.2%
Unchanged	0.2%	0.1%	0.4%	0.2%	0.2%	-7.8%	6.5%
Increased	1.2%	1.3%	2.2%	1.8%	2.4%	34.5%	96.0%
Subtotal for Unchanged and Increased	**1.4%**	**1.4%**	**2.5%**	**2.0%**	**2.6%**	29.9%	84.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%
(Number of HAMP Modifications in Each Category)							
Decreased by 20% or More	40,758	32,719	28,412	21,776	23,992	10.2%	-41.1%
Decreased by 10% to Less Than 20%	7,299	5,266	4,642	3,731	3,974	6.5%	-45.6%
Decreased by Less Than 10%	4,957	3,632	3,343	2,483	2,704	8.9%	-45.5%
Subtotal for Decreased	**53,012**	**41,617**	**36,397**	**27,990**	**30,670**	9.6%	-42.1%
Unchanged	101	63	131	62	63	1.6%	-37.6%
Increased	650	545	811	503	746	48.3%	14.8%
Subtotal for Unchanged and Increased	**751**	**608**	**942**	**565**	**809**	43.2%	7.7%
Total	53,763	42,225	37,339	28,555	31,479	10.2%	-41.4%

*No payment change information was reported on 178 modifications in the third quarter of 2011, 50 in the fourth quarter of 2011, 109 in the first quarter of 2012, 105 in the second quarter of 2012, and 61 in the third quarter of 2012.

**Some HAMP modifications, like other modifications, may increase the borrowers' monthly principal and interest payments when loans with a previous interest-only or partial payment are modified to amortize the loans over their remaining terms, or when adjustable rate mortgages are reset to higher rates and payments but at lower rates than otherwise contractually required. While the principal and interest portion of the payment might increase, the total payment will reflect a housing expense ratio of 31 percent as specified by HAMP.

Average Change in Monthly Payments Resulting From Modifications, by Quarter

Modifications made during the third quarter of 2012 reduced monthly principal and interest payments by $345, or 23.8 percent on average. HAMP modifications made during the quarter reduced payments by 35.3 percent on average, or $565. Other modifications reduced payments by $279, or 20.3 percent on average.

Table 24. Average Change in Monthly Payments Resulting From Modifications, by Quarter*

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
All Modifications							
Decreased by 20% or More	(646)	(671)	(655)	(618)	(566)	-8.5%	-12.4%
Decreased by 10% to Less Than 20%	(192)	(192)	(191)	(199)	(179)	-10.1%	-6.8%
Decreased by Less Than 10%	(64)	(66)	(63)	(70)	(65)	-6.9%	0.7%
Unchanged	0	0	0	0	0		
Increased**	128	145	162	154	131	-15.4%	2.1%
Overall (in dollars)	(382)	(430)	(437)	(364)	(345)	-5.1%	-9.6%
Percentage Change	-24.4%	-26.5%	-27.4%	-23.5%	-23.8%		
Other Modifications							
Decreased by 20% or More	(576)	(623)	(590)	(544)	(499)	-8.3%	-13.4%
Decreased by 10% to Less Than 20%	(181)	(182)	(181)	(196)	(173)	-11.3%	-4.1%
Decreased by Less Than 10%	(61)	(63)	(59)	(68)	(63)	-7.5%	3.1%
Unchanged	0	0	0	0	0		
Increased**	126	143	158	150	125	-16.9%	-1.2%
Overall (in dollars)	(262)	(335)	(349)	(274)	(279)	1.8%	6.3%
Percentage Change	-17.5%	-21.1%	-22.7%	-18.5%	-20.3%		
HAMP Modifications							
Decreased by 20% or More	(702)	(725)	(737)	(715)	(704)	-1.5%	0.4%
Decreased by 10% to Less Than 20%	(219)	(219)	(216)	(215)	(212)	-1.3%	-3.3%
Decreased by Less Than 10%	(77)	(79)	(76)	(76)	(77)	1.5%	0.1%
Unchanged	0	0	0	0	0		
Increased**	158	174	197	203	194	-4.3%	40.5%
Overall (in dollars)	(567)	(593)	(590)	(576)	(565)	-1.8%	-0.2%
Percentage Change	-35.1%	-36.0%	-35.4%	-35.3%	-35.3%		

*Parentheses indicate that, on average, borrowers' monthly payments decreased by the amount enclosed within the parentheses.

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

B. Modified Loan Performance

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

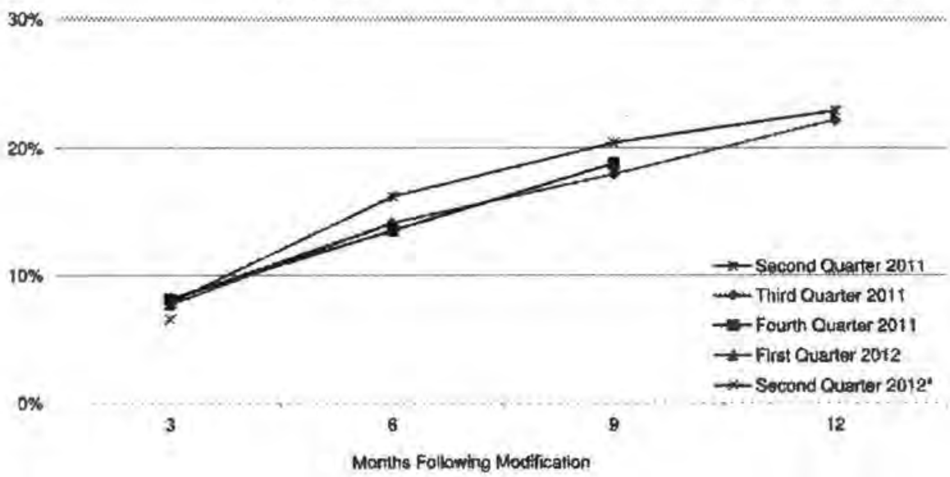
Modification performance may vary because of many factors, including the types of modification actions, the average amount of change in the borrower's monthly payment, the characteristics and geographic location of the modified loans, and the addition or deletion of modification programs among the reporting institutions. Despite differences in many of these factors, mortgages modified in each of the last five quarters have performed similarly over time. Among modifications completed in each of the last five quarters, between 6.5 percent and 8.1 percent of the modified loans were 60 or more days delinquent three months after modification, 13.5 percent to 16.2 percent were 60 or more days delinquent six months after modification, and 22.2 percent to 22.9 percent were 60 or more days delinquent 12 months after modification.

Table 25. Modified Loans 60 or More Days Delinquent

Modification Date*	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Second Quarter 2011	7.8%	16.2%	20.4%	22.9%
Third Quarter 2011	8.0%	14.1%	18.0%	22.2%
Fourth Quarter 2011	8.1%	13.5%	18.8%	—
First Quarter 2012	7.7%	14.1%	—	—
Second Quarter 2012	6.5%	—	—	—

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

Figure 11. Modified Loans 60 or More Days Delinquent



*The second quarter 2012 data is a single point (6.5 percent).

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

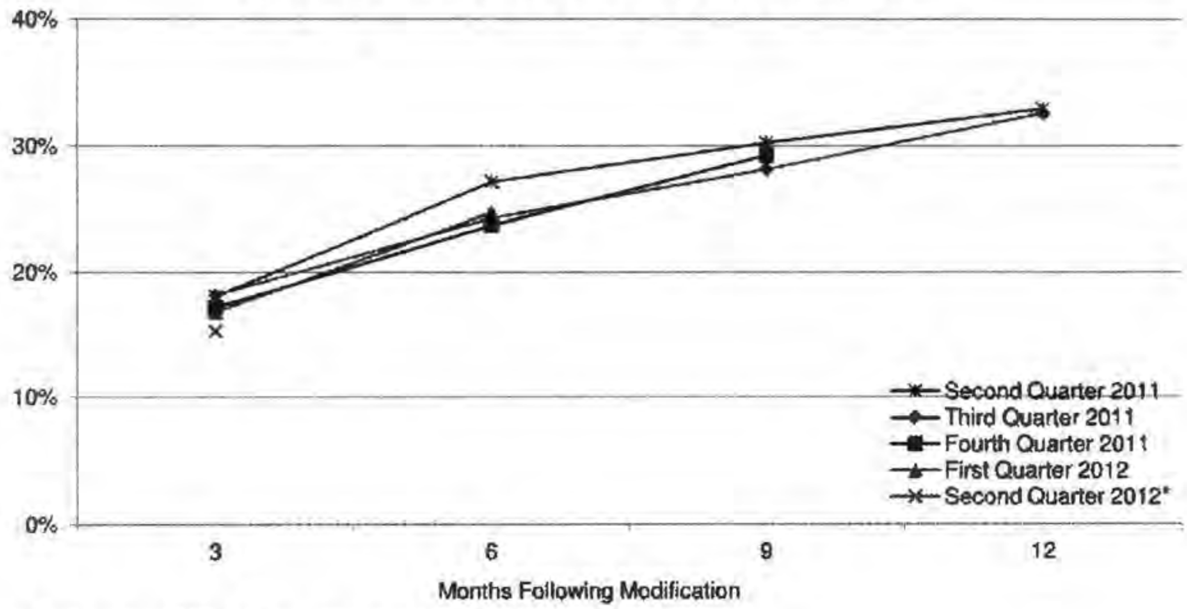
Re-default rates measured at 30 or more days delinquent provide an early indicator of mortgages that may need additional attention to prevent more serious delinquency or foreclosure. For modifications completed in each of the last five quarters, 15.3 percent to 18.2 percent were 30 or more days delinquent three months after modification. Among modifications outstanding at least one year, about 33 percent were 30 or more days delinquent.

Table 26. **Modified Loans 30 or More Days Delinquent**

Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Second Quarter 2011	18.1%	27.2%	30.2%	32.9%
Third Quarter 2011	18.2%	24.3%	28.1%	32.6%
Fourth Quarter 2011	17.2%	23.7%	29.3%	--
First Quarter 2012	16.8%	24.8%	--	--
Second Quarter 2012	15.3%	--	--	--

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

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



*The first quarter 2012 data is a single point (15.3 percent).

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

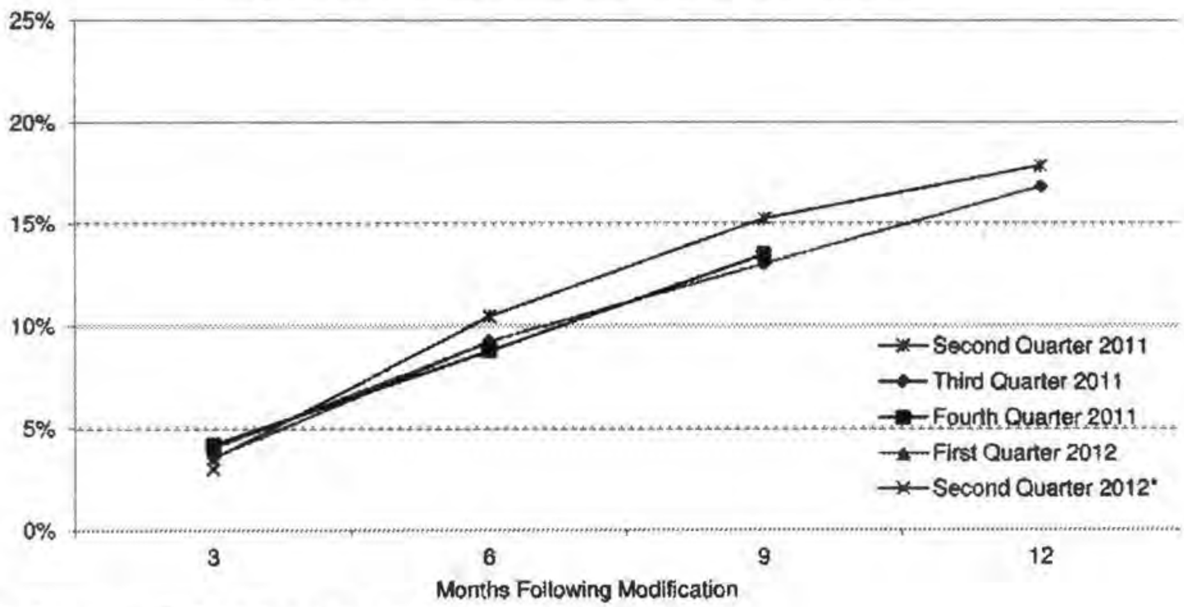
Among modifications completed during the last five quarters, 16.8 percent to 17.9 percent were 90 or more days delinquent 12 months after modification.

Table 27. Modified Loans 90 or More Days Delinquent*

Modification Date	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Second Quarter 2011	3.5%	10.5%	15.2%	17.9%
Third Quarter 2011	3.6%	9.2%	13.0%	16.8%
Fourth Quarter 2011	4.2%	8.8%	13.5%	--
First Quarter 2012	4.0%	9.2%	--	--
Second Quarter 2012	3.0%	--	--	--

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

Figure 13. Modified Loans 90 or More Days Delinquent



*The first quarter 2012 data is a single point (3.0 percent).

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

Modifications on mortgages held in the servicers' own portfolios or serviced for the GSEs—Fannie Mae and Freddie Mac—performed better than modifications on mortgages serviced for other investors. These lower re-default rates for portfolio and GSE mortgages may reflect differences in loan risk characteristics and modification programs, and additional flexibility to modify terms of portfolio mortgages for greater sustainability. Re-default rates for government-guaranteed mortgages and loans serviced for private investors were highest over time, reflecting the higher risk characteristics associated with those mortgages. For all investors, re-default rates have decreased over time as more recent modifications have focused more on reducing monthly payments and increasing borrowers' ability to sustain the reduced payments over time.

Table 28. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2008 (60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	30.5%	45.0%	54.2%	59.5%
Freddie Mac	34.0%	44.9%	53.1%	59.2%
Government-Guaranteed	32.5%	53.5%	63.6%	67.8%
Private	37.5%	48.3%	56.0%	61.0%
Portfolio Loans	15.0%	25.3%	31.7%	36.2%
Overall	32.1%	44.7%	52.2%	57.1%

Table 29. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2009 (60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months after Modification	9 Months after Modification	12 Months After Modification
Fannie Mae	18.0%	31.4%	37.9%	41.2%
Freddie Mac	29.2%	37.1%	42.0%	44.5%
Government-Guaranteed	23.5%	42.2%	51.7%	55.5%
Private	28.2%	40.8%	48.8%	52.5%
Portfolio Loans	7.2%	15.3%	21.0%	24.6%
Overall	20.1%	32.3%	39.5%	43.1%

Table 30. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2010 (60 or More Days Delinquent)

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	9.7%	14.4%	18.2%	20.7%
Freddie Mac	7.4%	12.3%	15.6%	17.9%
Government-Guaranteed	12.4%	27.3%	36.0%	40.6%
Private	12.2%	19.9%	25.0%	28.3%
Portfolio Loans	6.6%	11.8%	15.7%	18.0%
Overall	10.0%	17.4%	22.4%	25.4%

Table 31. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2011 (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	7.2%	11.2%	14.6%	16.5%
Freddie Mac	6.0%	10.9%	14.4%	16.0%
Government-Guaranteed	11.9%	28.0%	37.3%	42.5%
Private	9.7%	15.6%	19.6%	22.7%
Portfolio Loans	5.0%	9.2%	12.5%	14.3%
Overall	8.3%	15.4%	20.2%	23.5%

Table 32. Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2012 (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	7.1%	12.1%	--	--
Freddie Mac	5.0%	9.7%	--	--
Government-Guaranteed	10.0%	23.5%	--	--
Private	8.6%	14.8%	--	--
Portfolio Loans	4.3%	11.4%	--	--
Overall	7.1%	14.1%	--	--

*Data include all modifications implemented during 2012 that have aged the indicated number of months.

Performance of HAMP Modifications Compared With Other Modifications

HAMP modifications have performed better than other modifications implemented during the same periods. These lower post-modification delinquency rates reflect HAMP's emphasis on the affordability of monthly payments relative to the borrower's income, verification of income, and completion of a successful trial-payment period. While these criteria result in better performance of HAMP modifications over time, the greater flexibility in making other types of modifications results in more of those modifications for borrowers who do not qualify for HAMP modifications.

Table 33. Performance of HAMP Modifications Compared With Other Modifications
(60 or More Days Delinquent)*

	Number of Modifications	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
HAMP Third Quarter 2010	58,856	7.5%	11.5%	13.5%	16.5%
Other Third Quarter 2010	174,858	9.7%	17.1%	21.1%	25.4%
HAMP Fourth Quarter 2010	56,340	9.0%	11.2%	14.7%	17.7%
Other Fourth Quarter 2010	152,514	8.3%	15.5%	22.7%	28.0%
HAMP First Quarter 2011	53,250	5.8%	9.9%	13.4%	14.9%
Other First Quarter 2011	106,680	10.7%	20.7%	27.6%	30.3%
HAMP Second Quarter 2011	70,071	5.4%	9.5%	12.1%	13.8%
Other Second Quarter 2011	80,397	10.0%	22.1%	27.7%	30.9%
HAMP Third Quarter 2011	53,941	5.5%	9.1%	11.5%	14.4%
Other Third Quarter 2011	83,596	9.6%	17.4%	22.1%	27.2%
HAMP Fourth Quarter 2011	42,275	4.8%	7.6%	10.7%	–
HAMP Fourth Quarter 2011	73,875	10.1%	17.0%	23.5%	–
HAMP First Quarter 2012	37,448	4.9%	8.3%	–	–
Other First Quarter 2012	64,709	9.3%	17.5%	–	–
HAMP Second Quarter 2012	28,660	4.4%	–	–	–
Other Second Quarter 2012	67,962	7.4%	–	–	–

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

C. Modified Loan Performance, by Change in Monthly Payments

Modifications that reduce borrowers' monthly payments consistently show re-default rates lower than other modifications—the larger the reduction in monthly payment, the lower the subsequent re-default rates. Lower re-default rates may also result from setting monthly payments relative to the borrower's income and ability to repay, as well as verification of income and completion of a successful trial period.

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

Re-Default Rates of Loans by Change in Payment

Tables 34 through 38 present re-default rates, measured as 60 or more days delinquent, for modifications made since January 1, 2008. Data show that re-default rates decrease as reductions in monthly principal and interest payments increase. Modification performance has continued to improve over time as more recent modifications, those made in 2010 and 2011, focused more on substantively reducing monthly payments and setting payments relative to the borrower's income and ability to pay.

Modifications that resulted in no change to the borrower's monthly payment have performed better than many modifications that reduced payments. These modifications generally freeze the interest rate on an ARM so that the rate and payment do not increase, and they tended to be offered to borrowers who were not in default on their payments.

Table 34. Re-Default Rates of Loans Modified in 2008 by Change in Payment
(60 or More Days Delinquent)

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	15.8%	25.9%	33.2%	39.4%
Decreased by 10% to Less Than 20%	20.6%	32.9%	41.3%	47.9%
Decreased by Less Than 10%	23.8%	40.1%	49.5%	55.1%
Unchanged	47.8%	54.4%	59.6%	63.0%
Increased	34.6%	53.1%	61.9%	66.9%
Total	32.1%	44.5%	52.0%	57.0%

Table 35. Re-Default Rates of Loans Modified in 2009 by Change in Payment
(60 or More Days Delinquent)

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Decreased by 20% or More	11.4%	19.3%	25.3%	28.7%
Decreased by 10% to Less Than 20%	15.9%	29.2%	37.3%	41.7%
Decreased by Less Than 10%	17.8%	33.9%	42.6%	46.7%
Unchanged	41.8%	49.6%	54.6%	57.0%
Increased	26.7%	46.6%	56.0%	59.8%
Total	20.0%	32.2%	39.5%	43.1%

Table 36. Re-Default Rates of Loans Modified in 2010 by Change in Payment
(60 or More Days Delinquent)

	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	7.3%	11.5%	15.0%	17.5%
Decreased by 10% to Less Than 20%	10.0%	19.8%	26.3%	30.2%
Decreased by Less Than 10%	13.5%	26.2%	33.5%	37.5%
Unchanged	17.6%	20.9%	23.6%	25.2%
Increased	18.2%	32.9%	40.4%	44.2%
Total	10.0%	17.4%	22.4%	25.4%

Table 37. Re-Default Rates of Loans Modified in 2011 by Change in Payment (60 or More Days Delinquent)	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	5.6%	9.6%	12.7%	14.9%
Decreased by 10% to Less Than 20%	8.2%	16.9%	22.9%	27.0%
Decreased by Less Than 10%	11.0%	22.7%	30.0%	33.8%
Unchanged	10.0%	13.6%	15.8%	16.4%
Increased	18.6%	33.0%	41.0%	45.8%
Total	8.8%	15.4%	20.2%	23.5%

Table 38. Re-Default Rates of Loans Modified in 2012 by Change in Payment (60 or More Days Delinquent)*	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months after Modification
Decreased by 20% or More	5.3%	9.9%	--	--
Decreased by 10% to Less Than 20%	6.3%	14.7%	--	--
Decreased by Less Than 10%	10.5%	23.0%	--	--
Unchanged	6.8%	26.1%	--	--
Increased	18.5%	31.2%	--	--
Total	7.1%	14.1%	--	--

*Data include all modifications implemented during 2012 that have aged the indicated number of months.

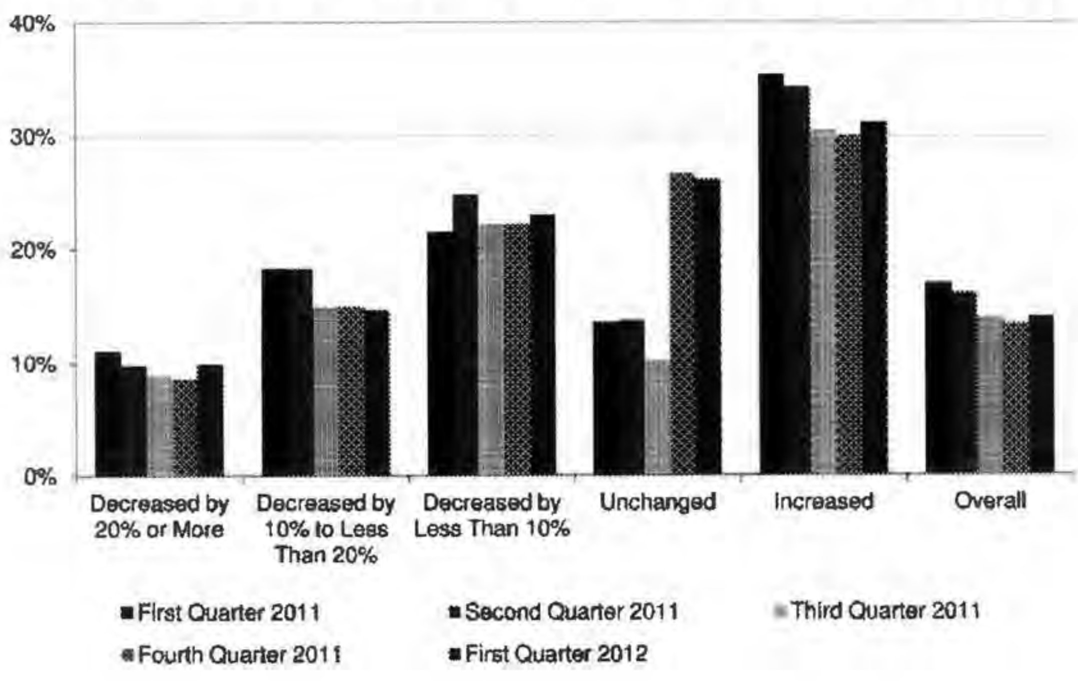
60+ Delinquency at Six Months After Modification by Change in Monthly Payment

Modifications that significantly reduced monthly principal and interest payments consistently performed better than other modifications. Modifications with the greatest decrease in monthly payments consistently had the lowest re-default rates. Modifications that result in no change to the borrowers' monthly payments generally have performed better than many modifications that reduced payments because these modifications tend to be offered to borrowers with adjustable rate mortgages who have not defaulted on their payments.

Table 39. 60+ Delinquency at Six Months After Modification by Change in Monthly Payment

	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Overall
First Quarter 2011	11.1%	18.3%	21.5%	13.6%	35.4%	17.0%
Second Quarter 2011	9.8%	18.3%	24.8%	13.8%	34.3%	16.2%
Third Quarter 2011	8.9%	15.0%	22.2%	10.2%	30.5%	14.1%
Fourth Quarter 2011	8.6%	15.0%	22.2%	26.6%	30.0%	13.5%
First Quarter 2012	9.9%	14.7%	23.0%	26.1%	31.2%	14.1%
Overall	9.6%	15.6%	22.7%	14.6%	32.7%	15.2%

Figure 14. **60+ Delinquency at Six Months After Modification by Change in Monthly Payment**



Status of Mortgages Modified in 2008–2012

Servicers implemented 2,741,912 modifications from January 1, 2008 through June 30, 2012. Of these modifications, 44.9 percent were current and performing at the end of the third quarter of 2012 with another 1.8 percent paid off. Approximately 22 percent of these modifications were delinquent, while 16.5 percent were in the process of foreclosure or had completed the foreclosure process. HAMP modifications implemented since the third quarter of 2009 have performed better than other modifications. Modifications that reduced borrowers' monthly payments by 10 percent or more performed significantly better than other modifications. Of the 1,662,289 modifications that reduced payments by 10 percent or more, 52.8 percent were current and performing at the end of the third quarter of 2012, compared with 32.8 percent of modifications that reduced payments less than 10 percent. Modifications of mortgages held in the servicers' portfolios and those serviced for GSEs performed better than modifications of mortgages serviced for other investors (see tables 28 through 32).

Table 40. **Status of Mortgages Modified in 2008–2012**

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	445,354	22.1%	5.4%	13.7%	12.5%	15.0%	3.6%	27.7%
2009	594,350	34.2%	6.9%	15.9%	11.9%	10.2%	2.6%	18.3%
2010	939,364	47.5%	7.9%	14.3%	9.5%	5.5%	1.4%	13.9%
2011	564,065	59.0%	8.9%	15.2%	7.7%	1.7%	0.7%	6.7%
2012	198,779	75.8%	9.5%	10.0%	2.2%	0.1%	0.2%	2.1%
Total	2,741,912	44.9%	7.6%	14.4%	9.6%	6.9%	1.8%	14.8%
HAMP Modification Performance Compared With Other Modifications**								
Other Modifications	1,327,113	48.9%	8.9%	16.8%	9.5%	5.3%	1.4%	9.1%
HAMP Modifications	631,859	61.1%	7.0%	9.3%	6.0%	2.5%	0.7%	13.4%
Modifications That Reduced Payments by 10 Percent or More								
Modifications That Reduced Payments by 10% or More	1,662,289	52.8%	7.8%	12.4%	7.7%	4.5%	1.2%	13.7%
Modifications That Reduced Payments by Less Than 10 Percent								
Modifications That Reduced Payments by Less Than 10%	1,079,623	32.8%	7.4%	17.5%	12.6%	10.6%	2.7%	16.4%

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

**Modifications used to compare with HAMP modifications only include modifications implemented from the third quarter of 2009 through the second quarter of 2012.

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

Completed Foreclosures and Other Home Forfeiture Actions

Home forfeiture actions—foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—totaled 180,309 during the third quarter of 2012, an increase of 7.7 percent from the previous quarter and 4.0 percent from a year earlier. The number of completed foreclosures increased to 114,742—up 12.8 percent from the previous quarter and 1.3 percent from a year earlier. Short sales increased 0.7 percent from the previous quarter and 11.1 percent from a year earlier. Short sales were 35.4 percent of total home forfeiture actions. Deed-in-lieu-of-foreclosure actions remained a small portion of home forfeiture actions during the quarter.

Table 41. Completed Foreclosures and Other Home Forfeiture Actions

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Completed Foreclosures	113,294	116,159	122,979	101,735	114,742	12.8%	1.3%
New Short Sales	57,479	63,257	59,996	63,403	63,860	0.7%	11.1%
New Deed-in-Lieu-of-Foreclosure Actions	2,623	2,939	2,806	2,336	1,707	-26.9%	-34.9%
Total	173,396	182,355	185,781	167,474	180,309	7.7%	4.0%

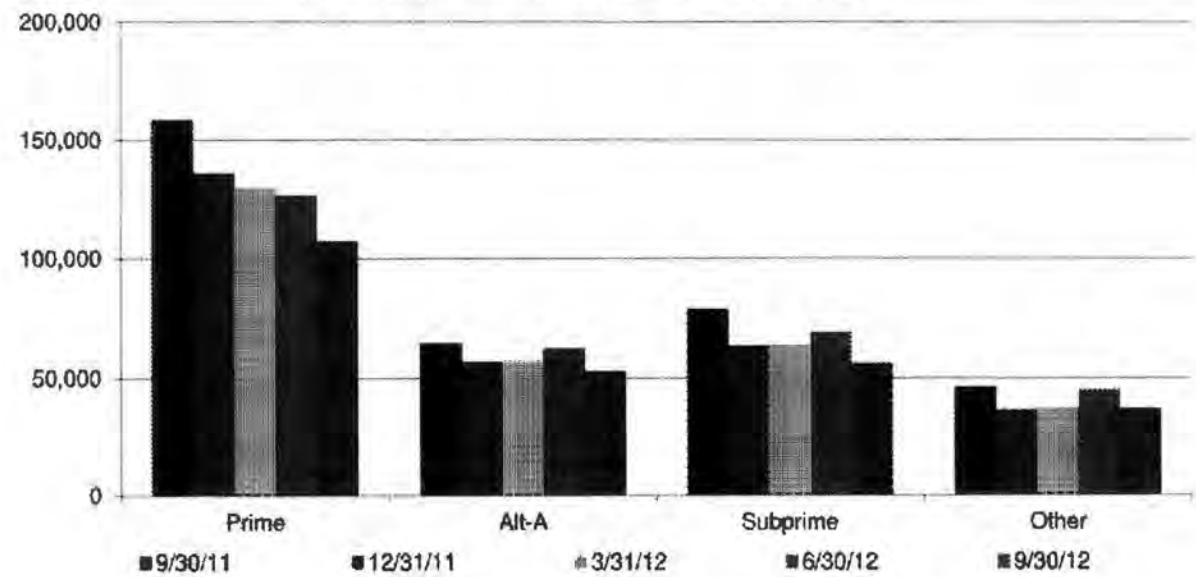
Newly Initiated Foreclosures

Servicers initiate foreclosure actions at defined stages of loan delinquency. Foreclosure actions will progress to sale of the property only if servicers and borrowers cannot arrange a permanent loss mitigation action, modification, or alternate workout solution or home sale. Newly initiated foreclosures decreased to 252,604 in the third quarter of 2012, a decrease of 16.5 percent from the previous quarter and 27.4 percent from a year ago. Newly initiated foreclosures decreased from the previous quarter and the previous year among all risk classes.

Table 42. **Number of Newly Initiated Foreclosures**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	158,633	136,026	129,823	126,966	107,507	-15.3%	-32.2%
Alt-A	64,216	56,736	56,996	62,054	52,650	-15.2%	-18.0%
Subprime	78,852	63,225	63,286	68,968	55,845	-19.0%	-29.2%
Other	46,027	36,166	36,846	44,648	36,602	-18.0%	-20.5%
Total	347,728	292,173	286,951	302,636	252,604	-16.5%	-27.4%

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



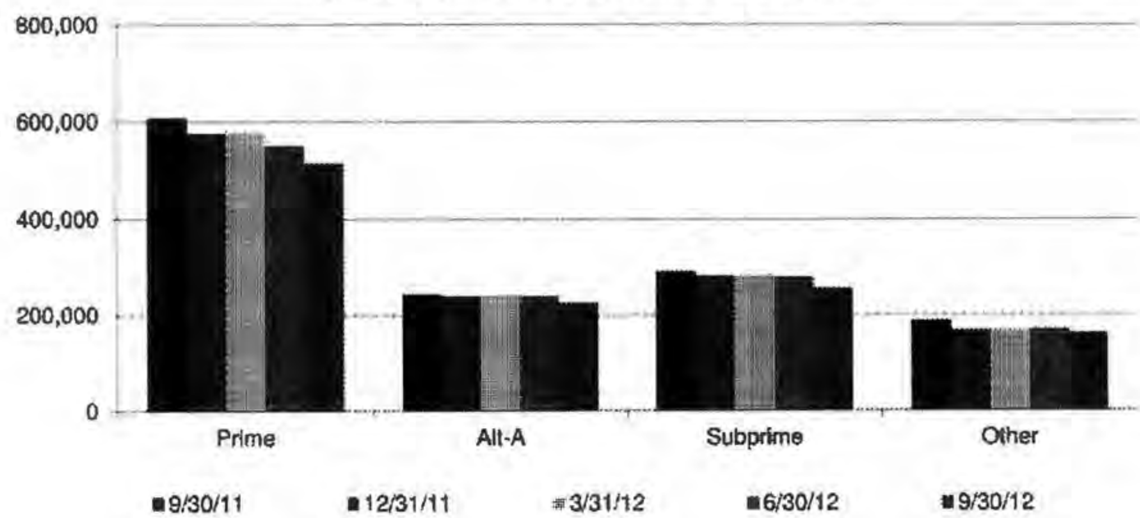
Foreclosures in Process

The number of mortgages in process of foreclosure decreased to 1,158,289 at the end of the quarter, down 6.4 percent from the previous quarter and 12.6 percent from a year earlier. The percentage of mortgages in the portfolio that were in some stage of the foreclosure process at the end of the third quarter of 2012 was 3.9 percent, a decrease of 4.2 percent from the previous quarter and 5.0 percent from a year ago.

***Table 43.* Foreclosures in Process**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Percentage of Foreclosures in Process Relative to Mortgages in That Risk Category							
Prime	2.7%	2.6%	2.6%	2.5%	2.4%	-4.5%	-10.0%
Alt-A	6.9%	7.0%	7.2%	7.2%	7.0%	-2.8%	1.0%
Subprime	12.0%	12.2%	12.5%	12.8%	12.3%	-4.0%	2.7%
Other	5.0%	4.9%	5.1%	5.5%	5.4%	-1.7%	7.5%
Total	4.1%	4.0%	4.1%	4.1%	3.9%	-4.2%	-5.0%
Number of Foreclosures in Process							
Prime	607,309	576,761	578,547	549,862	516,346	-6.1%	-15.0%
Alt-A	242,150	237,558	240,876	237,671	225,615	-5.1%	-6.8%
Subprime	289,968	281,440	282,879	279,023	255,846	-8.3%	-11.8%
Other	186,592	166,535	167,619	170,469	160,482	-5.9%	-14.0%
Total	1,326,019	1,262,294	1,269,921	1,237,025	1,158,289	-6.4%	-12.6%

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



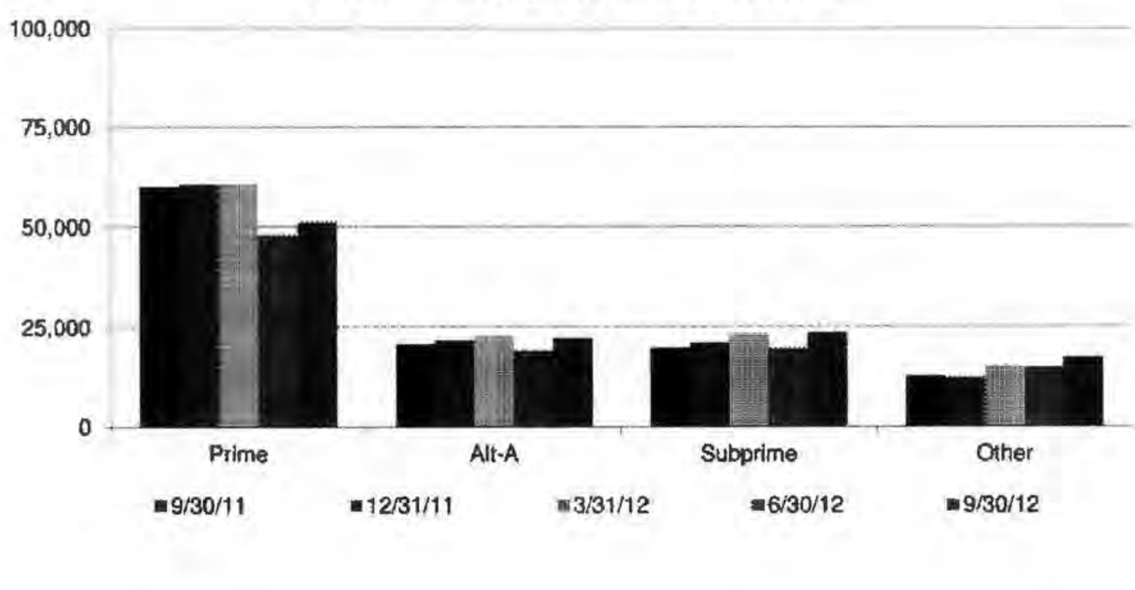
Completed Foreclosures

The number of completed foreclosures increased to 114,742 during the quarter—up 12.8 percent from the previous quarter and 1.3 percent from a year earlier. The percentage of mortgages that completed the foreclosure process during the third quarter of 2012 was 0.4 percent of all mortgages serviced, an increase of 15.3 percent from the previous quarter and 10.2 percent from a year earlier. The quarter-to-quarter increases in completed foreclosure actions occurred among all risk classes.

Table 44. **Completed Foreclosures**

Percentage of Completed Foreclosures Relative to Mortgages in That Risk Category							
	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	0.3%	0.3%	0.3%	0.2%	0.2%	8.5%	-9.7%
Alt-A	0.6%	0.6%	0.7%	0.6%	0.7%	19.7%	16.4%
Subprime	0.8%	0.9%	1.0%	0.9%	1.1%	26.1%	40.7%
Other	0.3%	0.4%	0.5%	0.5%	0.6%	22.4%	70.5%
Total	0.3%	0.4%	0.4%	0.3%	0.4%	15.3%	10.2%
Number of Completed Foreclosures							
Prime	60,109	60,777	60,984	48,079	51,285	6.7%	-14.7%
Alt-A	20,800	21,788	23,198	19,110	22,328	16.8%	7.3%
Subprime	19,605	21,230	23,373	19,673	23,692	20.4%	20.8%
Other	12,760	12,354	15,426	14,873	17,487	17.2%	36.4%
Total	113,294	116,159	122,979	101,735	114,742	12.8%	1.3%

Figure 17. **Number of Completed Foreclosures**

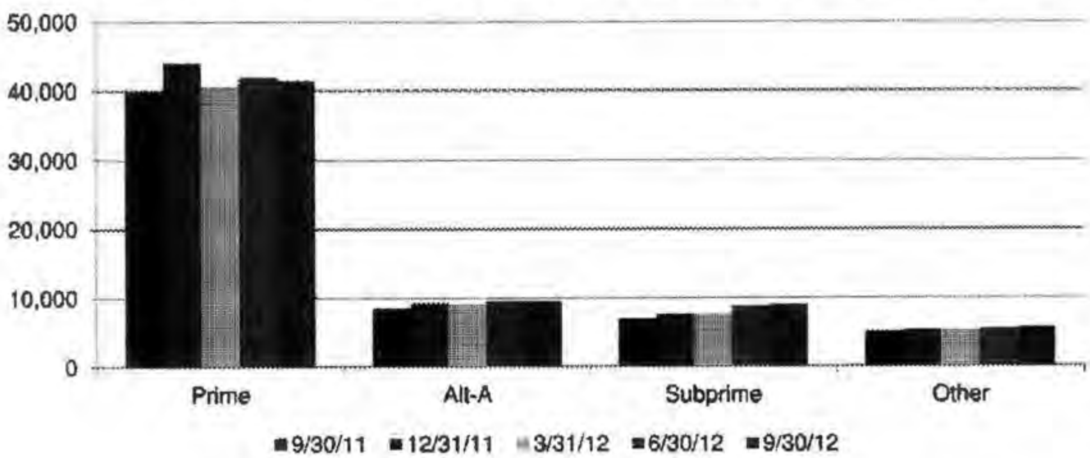


Completed Short Sales and Deeds in Lieu of Foreclosure

The number of completed short sales and deeds in lieu of foreclosure decreased to 65,567 during the quarter—down 0.3 percent from the previous quarter but up 9.1 percent from a year ago. Short sales and deeds in lieu of foreclosure as a percentage of all mortgages serviced at the end of the third quarter were 0.2 percent, up 2.0 percent from the previous quarter and 18.7 percent from a year ago.

Table 45. Completed Short Sales and Deeds in Lieu of Foreclosure							
Percentage of Completed Foreclosures Relative to Mortgages in That Risk Category							
	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	0.2%	0.2%	0.2%	0.2%	0.2%	0.7%	10.1%
Alt-A	0.2%	0.3%	0.3%	0.3%	0.3%	2.2%	22.2%
Subprime	0.3%	0.3%	0.3%	0.4%	0.4%	6.6%	52.3%
Other	0.1%	0.2%	0.2%	0.2%	0.2%	5.7%	41.4%
Total	0.2%	0.2%	0.2%	0.2%	0.2%	2.0%	18.7%
Number of Completed Foreclosures							
Prime	39,847	44,073	40,729	41,902	41,473	-1.0%	4.1%
Alt-A	8,440	9,191	9,160	9,535	9,515	-0.2%	12.7%
Subprime	6,854	7,638	7,783	8,808	8,964	1.8%	30.8%
Other	4,961	5,294	5,130	5,494	5,615	2.2%	13.2%
Overall	60,102	66,196	62,802	65,739	65,567	-0.3%	9.1%

Figure 18. **Number of Completed Short Sales and Deeds in Lieu of Foreclosures**



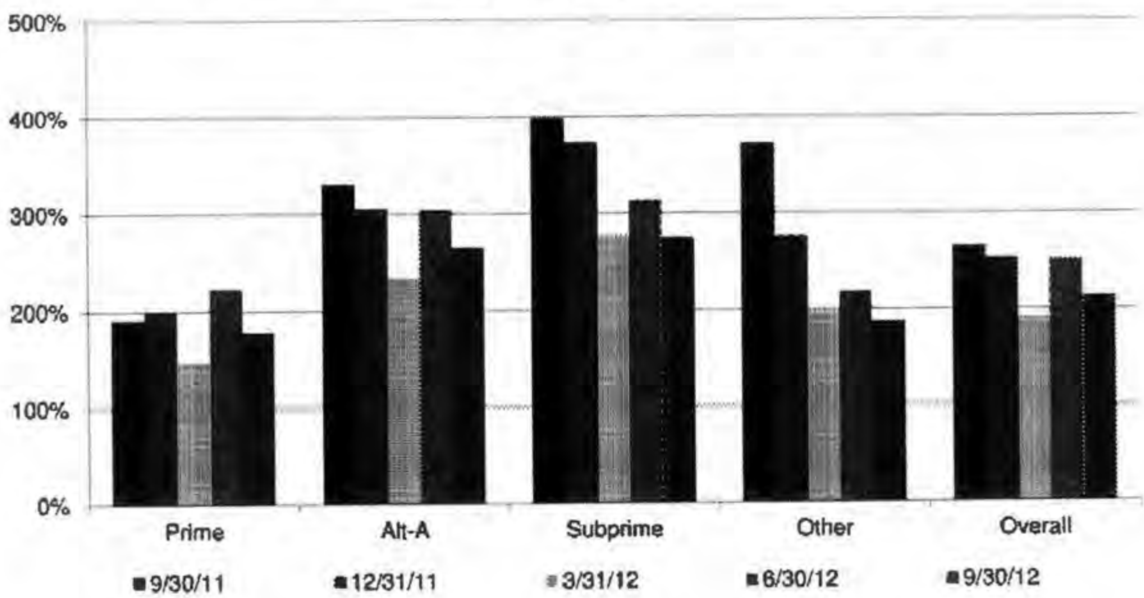
New Home Retention Actions Relative to Forfeiture Actions, by Risk Category

New home retention actions continued to significantly exceed completed home forfeitures as servicers initiated more than twice as many home retention actions as home forfeiture actions during the quarter. Home retention actions relative to home forfeitures decreased during the third quarter of 2012, across all risk categories. The percentage of new home retention actions relative to home forfeitures continued to be highest for subprime loans and lowest for prime and other loans during the third quarter of 2012.

Table 46. **Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	190.8%	199.2%	147.8%	222.0%	178.6%	-19.6%	-6.4%
Alt-A	330.9%	304.9%	234.3%	304.0%	264.9%	-12.8%	-19.9%
Subprime	398.6%	374.5%	277.3%	313.8%	274.7%	-12.4%	-31.1%
Other	372.4%	276.1%	196.9%	217.3%	187.3%	-13.8%	-49.7%
Overall	264.7%	252.4%	190.0%	251.1%	212.4%	-15.4%	-19.8%

Figure 19. **Percentage of New Home Retention Actions Relative to Forfeiture Actions, by Risk Category**



Appendixes

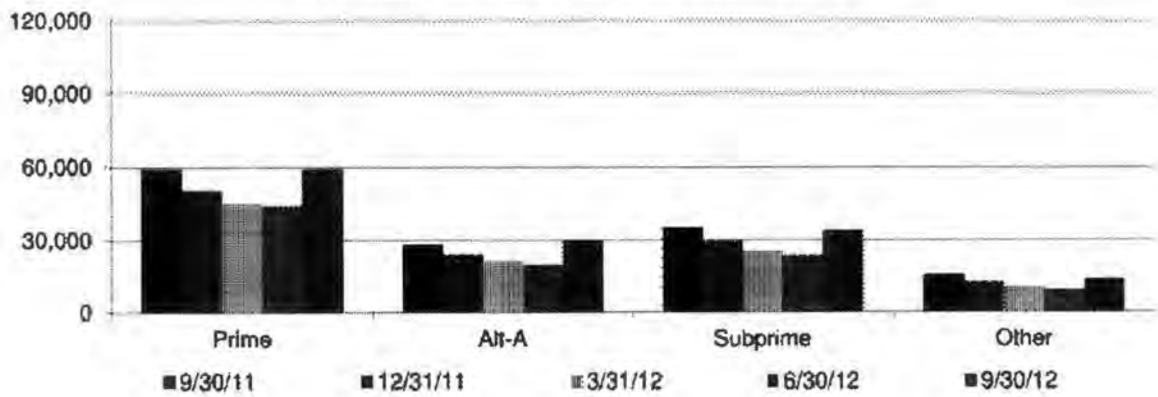
Appendix A—New Loan Modifications

There were 136,316 loan modifications completed during the third quarter of 2012—a 41.1 percent increase from the previous quarter and a 0.9 percent decrease from a year earlier. New modifications increased across all risk categories during the quarter, reversing eight consecutive quarters of declines.

Table 47. **Number of New Loan Modifications**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	58,856	50,478	45,170	44,390	58,987	32.9%	0.2%
Alt-A	28,169	23,804	21,267	19,669	30,040	52.7%	6.6%
Subprime	35,177	29,367	25,284	23,554	33,755	43.3%	-4.0%
Other	15,335	12,501	10,436	9,009	13,534	50.2%	-11.7%
Total	137,537	116,150	102,157	96,622	136,316	41.1%	-0.9%

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



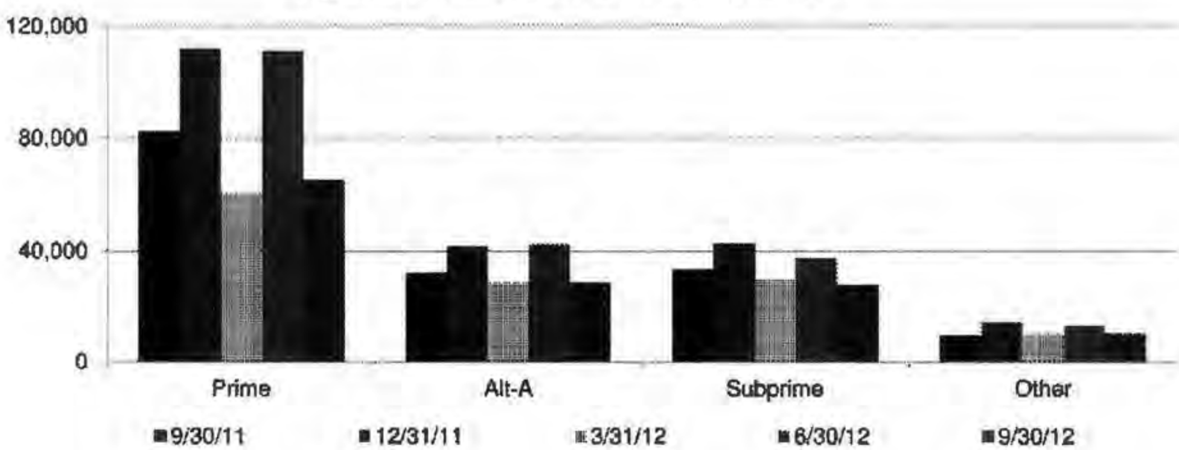
Appendix B—New Trial-Period Plans

Servicers initiated 131,403 trial-period plans during the third quarter of 2012, a decrease of 35.6 percent from the previous quarter and 16.2 percent from a year earlier. The volatility in the number of new trial-period plans over the last five quarters was affected by changes in program terms by some servicers that converted a significant number of borrowers in existing payment plans to trial-period plans. These conversions changed the timing of movement between repayment and trial-period plans or shifted the initiation of trial-period plans between reporting periods.

Table 48. **Number of New Trial-Period Plans**

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	82,191	111,968	60,432	111,366	65,256	-41.4%	-20.6%
Alt-A	31,838	41,357	28,596	42,209	28,486	-32.5%	-10.5%
Subprime	33,233	42,708	29,937	37,184	27,602	-25.8%	-16.9%
Other	9,621	14,146	10,051	13,213	10,059	-23.9%	4.6%
Total	156,883	210,179	129,016	203,972	131,403	-35.6%	-16.2%

Figure 21. **Number of New Trial-Period Plans**



Appendix C—New Payment Plans

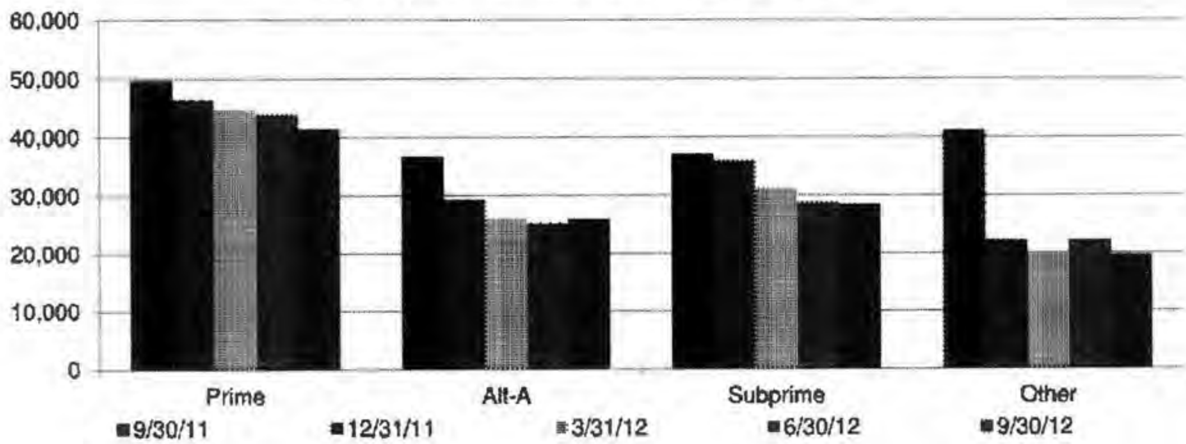
New payment plans decreased by 3.9 percent to 115,180 during the third quarter of 2012.

Table 49. Number of New Payment Plans

	9/30/11*	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Prime	49,648	46,462	44,697	43,992	41,401	-5.9%	-16.6%
Alt-A	36,758	29,280	25,953	25,190	25,836	2.6%	-29.7%
Subprime	37,058	36,036	31,177	28,624	28,349	-1.0%	-23.5%
Other	41,104	22,103	19,988	22,044	19,592	-11.1%	-52.3%
Total	164,568	133,881	121,815	119,850	115,180	-3.9%	-30.0%

*New payment plans completed in the third quarter of 2011 included a one-time increase due to a process change at some servicers that expanded the definition of payment plans to include short-term informal plans.

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



Appendix D—Breakdown of Individual and Combination Modification Actions

Servicers generally use a combination of actions to reduce monthly payments and achieve payment sustainability when modifying a mortgage. Servicers changed more than one loan term in 93.9 percent of all modifications completed during the third quarter of 2012.

Table 50. **Changes in Terms for Modifications Made Through the Third Quarter of 2012**

(Percentage of Modifications in Each Category)

	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Combination*	94.4%	94.5%	95.3%	86.2%	93.9%	8.9%	-0.5%
Capitalization	2.5%	2.8%	1.9%	1.5%	1.6%	9.4%	-36.2%
Rate Reduction	1.2%	0.7%	0.8%	6.4%	2.7%	-58.3%	117.1%
Rate Freeze	0.4%	0.0%	0.2%	0.0%	0.0%	-37.0%	-98.6%
Term Extension	0.4%	0.4%	0.6%	0.5%	0.3%	-49.4%	-22.3%
Principal Reduction	0.0%	0.0%	0.0%	4.6%	1.1%	-76.1%	3648.3%
Principal Deferral	0.0%	0.1%	0.1%	0.1%	0.1%	-25.6%	40.6%
Not Reported**	1.0%	1.5%	1.2%	0.7%	0.4%	-50.5%	-61.7%
(Number of Changes in Each Category)							
Combination*	129,894	109,723	97,349	83,304	128,039	53.7%	-1.4%
Capitalization	3,487	3,264	1,902	1,428	2,204	54.3%	-36.8%
Rate Reduction	1,682	803	813	6,146	3,619	-41.1%	115.2%
Rate Freeze	564	24	244	9	8	-11.1%	-98.6%
Term Extension	482	500	587	520	371	-28.7%	-23.0%
Principal Reduction	40	3	1	4,412	1,486	-66.3%	3615.0%
Principal Deferral	61	63	71	81	85	4.9%	39.3%
Not Reported**	1,327	1,750	1,190	722	504	-30.2%	-62.0%
All Modifications	137,537	116,150	102,157	96,622	136,316	41.1%	-0.9%

*Combination modifications result in a change to two or more loan terms. All other modification types detailed in this table involve only the individual listed action.

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

Changes in Terms for Combination Modification Actions

Of the 128,039 modifications during the third quarter of 2012 that changed more than one term of the mortgage contract, 94.6 percent included capitalization of missed fees and payments, 79.4 percent included interest rate reduction, and 68.7 percent included an extension of the loan maturity. Principal deferral was included in 20.3 percent of the combination modifications implemented during the quarter, and principal reduction was included in 17.1 percent. Because combination modifications changed more than one term, the sum of the individual actions exceeded 100 percent of total combination modifications.

Table 51. Changes in Terms for Combination Modifications Through the Third Quarter of 2012

(Percentage of Modifications in Each Category)	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	1Q %Change	1Y %Change
Capitalization	91.0%	95.8%	94.2%	90.9%	94.6%	4.1%	3.9%
Rate Reduction	80.8%	82.0%	83.8%	84.0%	79.4%	-5.4%	-1.7%
Rate Freeze	4.4%	6.7%	6.3%	7.2%	7.4%	2.0%	68.3%
Term Extension*	60.9%	58.3%	76.7%	71.1%	68.7%	-3.4%	12.9%
Principal Reduction	8.6%	9.0%	10.7%	12.6%	17.1%	35.0%	99.0%
Principal Deferral	21.6%	25.9%	25.6%	22.8%	20.3%	-11.2%	-6.3%
(Total Number of Changes in Each Category)							
Capitalization	118,175	105,081	91,671	75,687	121,071	60.0%	2.5%
Rate Reduction	104,968	89,973	81,569	69,947	101,660	45.3%	-3.2%
Rate Freeze	5,764	7,395	6,101	6,030	9,451	56.7%	64.0%
Term Extension*	79,053	63,991	74,669	59,235	87,979	48.5%	11.3%
Principal Reduction	11,138	9,863	10,403	10,532	21,849	107.5%	96.2%
Principal Deferral	28,072	28,433	25,083	19,004	25,936	36.5%	-7.6%

*Increase in the first quarter of 2012 results from process changes at some servicers that improved the reporting of this data element.

Appendix E—Mortgage Modification Data by State

The following tables present certain mortgage modification data by state, the District of Columbia, and U.S. territories (the latter are included in the category labeled "Other"). These data fulfill reporting requirements in the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Public Law 111-203).

Table 52 presents the number and percentage of HAMP modifications and other modifications in each state during the third quarter of 2012. Tables 53 and 54 present the number and percentage of each type of action included in modifications made during the quarter in each state, the District of Columbia, and U.S. territories. Tables 55 and 56 present the number and percentage of each type of action included in combination modifications made during the quarter in each state, the District of Columbia, and U.S. territories. Tables 57 and 58 present the number and percentage of modifications made during the quarter in each state, the District of Columbia, and U.S. territories by the amount of change in the borrowers' monthly principal and interest payments. Tables 59 and 60 present the number and percentage of modifications made in the first quarter of 2012 that were 60 or more days delinquent or in process of foreclosure at the end of the third quarter of 2012.

Table 52. Number and Percentage of Mortgage Modifications Implemented in the Third Quarter of 2012						
	HAMP Modifications		Other Modifications		Total Modifications	
States	Total	% of State Total	Total	% of State Total	Total	% of Total
Total - All States	31,540	23.1%	104,776	76.9%	136,316	100.0%
Alabama	155	11.6%	1,186	88.4%	1,341	1.0%
Alaska	12	13.6%	76	86.4%	88	0.1%
Arizona	701	21.7%	2,535	78.3%	3,236	2.4%
Arkansas	65	12.3%	463	87.7%	528	0.4%
California	8,841	35.0%	16,392	65.0%	25,233	18.5%
Colorado	445	22.4%	1,540	77.6%	1,985	1.5%
Connecticut	489	26.8%	1,335	73.2%	1,824	1.3%
Delaware	94	17.1%	457	82.9%	551	0.4%
District of Columbia	59	22.7%	201	77.3%	260	0.2%
Florida	3,664	26.8%	10.004	73.2%	13,668	10.0%
Georgia	1,249	18.6%	5,459	81.4%	6,708	4.9%
Hawaii	106	31.6%	229	68.4%	335	0.2%
Idaho	102	16.6%	513	83.4%	615	0.5%
Illinois	1,705	22.8%	5,765	77.2%	7,470	5.5%
Indiana	232	10.2%	2,043	89.8%	2,275	1.7%
Iowa	76	11.4%	588	88.6%	664	0.5%
Kansas	86	12.6%	594	87.4%	680	0.5%
Kentucky	108	11.4%	843	88.6%	951	0.7%
Louisiana	188	16.4%	961	83.6%	1,149	0.8%
Maine	82	20.7%	315	79.3%	397	0.3%
Maryland	1,012	23.6%	3,271	76.4%	4,283	3.1%
Massachusetts	733	28.5%	1,842	71.5%	2,575	1.9%
Michigan	587	14.4%	3,493	85.6%	4,080	3.0%
Minnesota	422	21.3%	1,555	78.7%	1,977	1.5%
Mississippi	77	11.0%	622	89.0%	699	0.5%
Missouri	317	14.5%	1,866	85.5%	2,183	1.6%
Montana	38	20.7%	146	79.3%	184	0.1%
Nebraska	47	13.6%	299	86.4%	346	0.3%
Nevada	525	26.6%	1,449	73.4%	1,974	1.4%
New Hampshire	120	23.5%	390	76.5%	510	0.4%
New Jersey	1,238	25.9%	3,534	74.1%	4,772	3.5%
New Mexico	105	17.7%	488	82.3%	593	0.4%
New York	1,990	32.4%	4,151	67.6%	6,141	4.5%
North Carolina	606	14.9%	3,454	85.1%	4,060	3.0%
North Dakota	2	7.4%	25	92.6%	27	0.0%
Ohio	587	13.2%	3,850	86.8%	4,437	3.3%
Oklahoma	78	10.0%	704	90.0%	782	0.6%
Oregon	377	26.4%	1,050	73.6%	1,427	1.0%
Pennsylvania	675	17.9%	3,106	82.1%	3,781	2.8%
Rhode Island	123	24.5%	379	75.5%	502	0.4%
South Carolina	276	14.9%	1,571	85.1%	1,847	1.4%
South Dakota	17	16.0%	89	84.0%	106	0.1%
Tennessee	283	13.9%	1,753	86.1%	2,036	1.5%
Texas	904	11.8%	6,745	88.2%	7,649	5.6%
Utah	171	15.1%	964	84.9%	1,135	0.8%
Vermont	19	14.6%	111	85.4%	130	0.1%
Virginia	694	22.1%	2,440	77.9%	3,134	2.3%
Washington	713	25.1%	2,128	74.9%	2,841	2.1%
West Virginia	33	11.2%	261	88.8%	294	0.2%
Wisconsin	288	17.3%	1,373	82.7%	1,661	1.2%
Wyoming	12	14.0%	74	86.0%	86	0.1%
Other	12	11.3%	94	88.7%	106	0.1%

Table 53. Number of Mortgage Modification Actions
Implemented in the Third Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	2,204	3,627	371	1,486	85	128,039	504	136,316
Alabama	26	14	17	3	0	1,280	1	1,341
Alaska	0	0	0	0	0	88	0	88
Arizona	54	109	6	47	1	3,006	13	3,236
Arkansas	14	16	0	2	0	494	2	528
California	362	740	44	665	46	23,270	106	25,233
Colorado	44	25	4	16	1	1,891	4	1,985
Connecticut	26	87	2	12	0	1,707	10	1,844
Delaware	9	17	3	4	0	517	1	551
District of Columbia	12	18	1	3	0	220	5	260
Florida	139	392	19	189	1	12,878	50	13,668
Georgia	98	181	22	53	3	6,309	41	6,706
Hawaii	5	5	1	1	0	317	6	335
Idaho	7	14	1	6	0	586	1	615
Illinois	53	173	21	44	1	7,152	26	7,470
Indiana	38	18	6	5	0	2,208	1	2,275
Iowa	13	7	3	0	1	640	0	664
Kansas	19	14	1	4	0	642	0	680
Kentucky	16	12	5	2	0	915	1	951
Louisiana	22	7	0	5	0	1,110	5	1,149
Maine	12	8	0	4	0	372	1	397
Maryland	57	161	19	41	8	3,975	24	4,283
Massachusetts	49	99	1	31	2	2,381	12	2,575
Michigan	67	133	19	31	2	3,818	10	4,080
Minnesota	29	20	6	10	1	1,903	8	1,977
Mississippi	11	7	5	2	0	672	1	698
Missouri	56	56	5	11	1	2,052	2	2,183
Montana	1	0	0	1	0	162	0	164
Nebraska	6	2	1	0	0	337	0	346
Nevada	26	50	3	34	1	1,851	7	1,974
New Hampshire	9	8	2	2	0	488	1	510
New Jersey	49	134	5	21	4	4,527	32	4,772
New Mexico	21	28	9	8	0	526	1	593
New York	99	165	8	25	1	5,788	55	6,141
North Carolina	109	141	22	23	2	3,754	9	4,060
North Dakota	1	1	1	0	0	24	0	27
Ohio	77	63	10	14	1	4,261	11	4,437
Oklahoma	15	11	4	0	0	750	2	782
Oregon	11	69	2	5	0	1,338	2	1,427
Pennsylvania	81	49	13	7	1	3,618	12	3,781
Rhode Island	2	34	0	5	0	461	0	502
South Carolina	47	86	13	5	1	1,694	1	1,847
South Dakota	4	3	0	0	0	99	0	106
Tennessee	47	42	7	13	0	1,921	6	2,036
Texas	222	163	18	55	2	7,183	6	7,649
Utah	14	10	2	7	1	1,099	2	1,135
Vermont	1	3	7	0	0	116	3	130
Virginia	60	143	19	38	1	2,865	8	3,134
Washington	34	84	4	25	2	2,687	5	2,841
West Virginia	5	8	3	2	0	273	3	294
Wisconsin	20	15	1	5	0	1,613	7	1,661
Wyoming	2	3	1	0	0	80	0	86
Other	0	0	4	0	0	102	0	106

Table 54. Percentage of Mortgage Modification Actions
Implemented in the Third Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	1.6%	2.7%	0.3%	1.1%	0.1%	93.9%	0.4%	136,316
Alabama	1.9%	1.0%	1.3%	0.2%	0.0%	95.5%	0.1%	1,341
Alaska	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	88
Arizona	1.7%	3.4%	0.2%	1.5%	0.0%	92.9%	0.4%	3,236
Arkansas	2.7%	3.0%	0.0%	0.4%	0.0%	93.6%	0.4%	528
California	1.4%	2.9%	0.2%	2.6%	0.2%	92.2%	0.4%	25,233
Colorado	2.2%	1.3%	0.2%	0.8%	0.1%	95.3%	0.2%	1,985
Connecticut	1.4%	3.7%	0.1%	0.7%	0.0%	93.6%	0.5%	1,824
Delaware	1.6%	3.1%	0.5%	0.7%	0.0%	93.8%	0.2%	551
District of Columbia	4.6%	7.3%	0.4%	1.2%	0.0%	84.6%	1.9%	260
Florida	1.0%	2.9%	0.1%	1.4%	0.0%	94.2%	0.4%	13,668
Georgia	1.5%	2.7%	0.3%	0.8%	0.0%	94.1%	0.6%	6,708
Hawaii	1.5%	1.5%	0.3%	0.3%	0.0%	94.6%	1.8%	335
Idaho	1.1%	2.3%	0.2%	1.0%	0.0%	95.3%	0.2%	615
Illinois	0.7%	2.3%	0.3%	0.6%	0.0%	95.7%	0.3%	7,470
Indiana	1.7%	0.7%	0.3%	0.2%	0.0%	97.1%	0.0%	2,275
Iowa	2.0%	1.1%	0.5%	0.0%	0.2%	96.4%	0.0%	664
Kansas	2.8%	2.1%	0.1%	0.6%	0.0%	94.4%	0.0%	680
Kentucky	1.7%	1.3%	0.5%	0.2%	0.0%	96.2%	0.1%	951
Louisiana	1.8%	0.8%	0.0%	0.4%	0.0%	96.6%	0.4%	1,149
Maine	3.0%	2.0%	0.0%	1.0%	0.0%	93.7%	0.3%	397
Maryland	1.3%	3.8%	0.4%	1.0%	0.2%	92.6%	0.6%	4,283
Massachusetts	1.9%	3.8%	0.0%	1.2%	0.1%	92.5%	0.5%	2,575
Michigan	1.6%	3.3%	0.5%	0.8%	0.0%	93.6%	0.2%	4,060
Minnesota	1.5%	1.0%	0.3%	0.5%	0.1%	96.3%	0.4%	1,977
Mississippi	1.6%	1.0%	0.9%	0.3%	0.0%	96.1%	0.1%	689
Missouri	2.6%	2.6%	0.2%	0.5%	0.0%	94.0%	0.1%	2,183
Montana	0.5%	0.0%	0.0%	0.5%	0.0%	98.9%	0.0%	184
Nebraska	1.7%	0.6%	0.3%	0.0%	0.0%	97.4%	0.0%	346
Nevada	1.4%	2.5%	0.2%	1.7%	0.1%	93.8%	0.4%	1,974
New Hampshire	1.8%	1.6%	0.4%	0.4%	0.0%	95.7%	0.2%	510
New Jersey	1.0%	2.8%	0.1%	0.4%	0.1%	94.9%	0.7%	4,772
New Mexico	3.5%	4.7%	1.5%	1.3%	0.0%	88.7%	0.2%	593
New York	1.6%	2.7%	0.1%	0.4%	0.0%	94.3%	0.9%	6,141
North Carolina	2.7%	3.5%	0.5%	0.6%	0.0%	92.5%	0.2%	4,060
North Dakota	3.7%	3.7%	3.7%	0.0%	0.0%	88.9%	0.0%	27
Ohio	1.7%	1.4%	0.2%	0.3%	0.0%	96.0%	0.2%	4,437
Oklahoma	1.9%	1.4%	0.5%	0.0%	0.0%	95.9%	0.3%	792
Oregon	0.8%	4.8%	0.1%	0.4%	0.0%	93.8%	0.1%	1,427
Pennsylvania	2.1%	1.3%	0.3%	0.2%	0.0%	95.7%	0.3%	3,781
Rhode Island	0.4%	6.8%	0.0%	1.0%	0.0%	91.8%	0.0%	502
South Carolina	2.5%	4.7%	0.7%	0.3%	0.1%	91.7%	0.1%	1,647
South Dakota	3.8%	2.8%	0.0%	0.0%	0.0%	93.4%	0.0%	106
Tennessee	2.3%	2.1%	0.3%	0.6%	0.0%	94.4%	0.3%	2,096
Texas	2.9%	2.1%	0.2%	0.7%	0.0%	93.9%	0.1%	7,649
Utah	1.2%	0.9%	0.2%	0.6%	0.1%	96.8%	0.2%	1,135
Vermont	0.8%	2.3%	5.4%	0.0%	0.0%	89.2%	2.3%	130
Virginia	1.9%	4.6%	0.6%	1.2%	0.0%	91.4%	0.3%	3,134
Washington	1.2%	3.0%	0.1%	0.9%	0.1%	94.6%	0.2%	2,841
West Virginia	1.7%	2.7%	1.0%	0.7%	0.0%	92.9%	1.0%	294
Wisconsin	1.2%	0.9%	0.1%	0.3%	0.0%	97.1%	0.4%	1,661
Wyoming	2.3%	3.5%	1.2%	0.0%	0.0%	93.0%	0.0%	86
Other	0.0%	0.0%	3.8%	0.0%	0.0%	96.2%	0.0%	106

Table 55. Number of Modification Actions in Combination Actions
Implemented in the Third Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	121,071	111,072	87,979	21,849	25,936	128,039
Alabama	1,192	1,199	989	58	90	1,280
Alaska	87	83	80	3	9	88
Arizona	2,807	2,521	2,039	600	819	3,006
Arkansas	484	457	381	19	36	494
California	21,546	19,018	11,995	8,325	6,657	23,270
Colorado	1,834	1,692	1,377	185	223	1,891
Connecticut	1,656	1,469	1,191	285	352	1,707
Delaware	493	453	409	46	48	517
District of Columbia	214	166	143	28	46	220
Florida	12,157	10,655	8,491	3,195	4,065	12,878
Georgia	5,961	5,661	4,789	598	1,101	6,309
Hawaii	295	255	162	46	91	317
Idaho	555	523	417	38	82	586
Illinois	6,779	6,140	5.191	1,154	1,868	7,152
Indiana	2,133	2,038	1,732	144	138	2,209
Iowa	604	571	536	30	52	640
Kansas	612	565	497	43	42	642
Kentucky	861	858	710	42	52	915
Louisiana	1,060	1,024	849	71	102	1,110
Maine	356	330	266	33	53	372
Maryland	3,788	3,576	2,770	660	858	3,973
Massachusetts	2,276	1,962	1,622	416	528	2,381
Michigan	3,590	3,459	2,578	429	617	3,816
Minnesota	1,815	1,701	1,366	210	356	1,903
Mississippi	639	609	506	52	72	672
Missouri	1,973	1,858	1,444	155	198	2,052
Montana	170	159	142	7	22	182
Nebraska	323	321	267	17	18	337
Nevada	1,744	1,412	1,177	492	556	1,851
New Hampshire	456	424	349	63	90	488
New Jersey	4,371	3,868	3,574	723	1,029	4,527
New Mexico	501	461	396	31	56	526
New York	5,553	4,968	3,917	1,025	1,355	5,788
North Carolina	3,469	3,373	3,006	232	378	3,754
North Dakota	22	19	22	1	2	24
Ohio	4,087	3,945	3,080	282	504	4,261
Oklahoma	730	706	586	27	37	750
Oregon	1,275	1,148	974	137	300	1,338
Pennsylvania	3,493	3,198	2,785	290	415	3,619
Rhode Island	440	353	281	117	119	461
South Carolina	1,551	1,511	1,318	112	204	1,594
South Dakota	95	93	86	2	5	99
Tennessee	1,819	1,760	1,491	160	161	1,931
Texas	6,913	6,800	5,986	365	433	7,183
Utah	1,068	999	814	92	120	1,099
Vermont	102	105	93	7	6	116
Virginia	2,703	2,559	1,968	350	439	2,865
Washington	2,538	2,329	1,909	391	635	2,687
West Virginia	257	250	197	27	21	273
Wisconsin	1,540	1,445	1,199	156	251	1,613
Wyoming	70	75	59	3	4	80
Other	43	95	83	11	3	102

Table 56. Percentage of Modification Actions in Combination Actions Implemented in the Third Quarter of 2012

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	94.6%	86.7%	68.7%	17.1%	20.3%	128,039
Alabama	93.1%	88.7%	77.3%	4.5%	7.0%	1,280
Alaska	98.9%	94.3%	90.9%	3.4%	10.2%	88
Arizona	93.4%	85.9%	67.8%	16.6%	27.2%	3,006
Arkansas	98.0%	92.5%	77.1%	3.8%	7.3%	494
California	92.5%	81.7%	51.5%	35.6%	23.5%	23,270
Colorado	97.0%	89.5%	72.8%	9.8%	11.8%	1,891
Connecticut	97.0%	85.5%	69.8%	16.7%	20.6%	1,707
Delaware	95.4%	87.6%	79.1%	8.9%	9.3%	517
District of Columbia	97.3%	85.5%	65.0%	13.2%	20.9%	220
Florida	94.4%	82.7%	65.9%	24.8%	31.6%	12,878
Georgia	94.5%	89.7%	75.9%	8.5%	17.5%	6,309
Hawaii	93.1%	80.4%	51.1%	14.5%	28.7%	317
Idaho	94.7%	89.2%	71.2%	6.5%	15.7%	586
Illinois	94.8%	85.9%	72.6%	16.1%	26.1%	7,152
Indiana	93.8%	92.3%	78.4%	6.5%	8.2%	2,209
Iowa	94.4%	89.2%	83.8%	4.7%	8.1%	640
Kansas	95.3%	91.1%	77.4%	6.7%	8.5%	842
Kentucky	94.1%	93.8%	77.6%	4.6%	5.7%	915
Louisiana	96.5%	92.3%	78.5%	6.4%	9.2%	1,110
Maine	95.7%	88.7%	71.5%	8.9%	14.2%	372
Maryland	96.4%	85.0%	69.7%	17.1%	21.5%	3,973
Massachusetts	95.6%	82.4%	68.1%	17.5%	22.2%	2,381
Michigan	94.0%	90.6%	67.5%	11.2%	16.2%	4,816
Minnesota	95.4%	89.4%	71.8%	11.0%	18.7%	1,903
Mississippi	95.1%	90.6%	75.3%	7.7%	10.7%	672
Missouri	96.2%	90.5%	70.4%	7.6%	9.6%	2,052
Montana	93.4%	87.4%	78.0%	6.8%	12.1%	182
Nebraska	95.8%	95.3%	79.2%	5.0%	5.3%	337
Nevada	94.2%	75.8%	63.6%	28.3%	30.0%	1,951
New Hampshire	93.4%	86.9%	71.5%	12.9%	18.4%	488
New Jersey	96.6%	85.4%	74.5%	16.0%	22.7%	4,527
New Mexico	95.2%	87.6%	75.3%	5.9%	10.6%	526
New York	95.9%	86.2%	67.7%	17.7%	23.4%	5,786
North Carolina	92.4%	89.9%	80.1%	6.2%	10.1%	3,754
North Dakota	91.7%	79.2%	91.7%	4.2%	8.3%	24
Ohio	95.9%	92.6%	72.3%	6.6%	11.8%	4,261
Oklahoma	97.3%	94.1%	78.1%	3.5%	4.9%	750
Oregon	95.3%	85.8%	72.8%	10.2%	22.4%	1,338
Pennsylvania	96.5%	88.4%	76.4%	6.0%	11.5%	3,816
Rhode Island	95.4%	76.6%	61.0%	25.4%	25.8%	461
South Carolina	91.6%	89.2%	77.8%	6.6%	12.0%	1,694
South Dakota	96.0%	93.9%	86.9%	2.0%	5.1%	99
Tennessee	94.7%	91.6%	72.9%	6.3%	8.4%	1,921
Texas	96.2%	94.7%	83.3%	5.1%	6.0%	7,183
Utah	96.3%	90.9%	74.1%	6.4%	10.9%	1,099
Vermont	87.9%	90.5%	80.2%	6.0%	5.2%	116
Virginia	94.3%	89.3%	68.7%	12.3%	15.3%	2,865
Washington	94.5%	86.7%	71.0%	14.6%	23.6%	2,687
West Virginia	86.8%	91.6%	72.2%	9.9%	11.4%	273
Wisconsin	95.5%	89.6%	74.3%	9.7%	15.6%	1,613
Wyoming	87.5%	93.8%	73.8%	3.8%	5.0%	80
Other	42.2%	93.1%	81.4%	10.8%	2.9%	102

Table 57. Changes in Monthly Principal and Interest Payments by State (Number)

Modifications Implemented in the Third Quarter of 2012

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	73,858	27,439	20,397	5,633	8,508	481	136,316
Alabama	668	285	263	15	109	1	1,341
Alaska	34	24	26	0	4	0	88
Arizona	1,772	673	491	142	150	8	3,236
Arkansas	220	145	104	11	46	2	528
California	14,808	3,880	2,768	2,491	1,178	108	25,233
Colorado	921	484	377	32	167	4	1,985
Connecticut	1,014	395	252	59	96	8	1,824
Delaware	247	157	111	4	31	1	551
District of Columbia	127	45	43	12	29	4	260
Florida	8,820	2,275	1,323	606	594	50	13,668
Georgia	3,556	1,431	1,162	125	399	35	6,708
Hawaii	199	62	42	10	18	4	335
Idaho	336	137	98	13	31	0	615
Illinois	4,398	1,370	947	301	431	23	7,470
Indiana	1,072	560	461	27	155	0	2,275
Iowa	290	162	136	6	70	0	664
Kansas	312	154	144	12	58	0	680
Kentucky	411	254	190	11	85	0	951
Louisiana	504	244	250	7	140	4	1,149
Maine	210	90	63	7	27	0	397
Maryland	2,148	952	749	157	254	23	4,283
Massachusetts	1,430	484	377	128	144	12	2,575
Michigan	2,202	996	521	149	203	9	4,080
Minnesota	1,050	458	291	51	119	8	1,977
Mississippi	317	173	131	9	69	0	699
Missouri	1,149	508	329	41	154	2	2,183
Montana	81	40	44	4	14	1	184
Nebraska	161	69	70	4	42	0	346
Nevada	1,272	335	216	78	64	9	1,974
New Hampshire	265	104	80	17	43	1	510
New Jersey	2,588	938	744	169	306	27	4,772
New Mexico	286	123	114	16	48	6	593
New York	3,613	1,100	793	224	359	52	6,141
North Carolina	1,868	898	848	89	349	8	4,060
North Dakota	10	6	8	0	3	0	27
Ohio	2,225	1,124	678	52	352	6	4,437
Oklahoma	360	165	165	5	85	2	782
Oregon	798	311	214	36	62	6	1,427
Pennsylvania	1,897	861	644	49	323	7	3,781
Rhode Island	294	98	53	42	15	0	502
South Carolina	858	407	373	48	159	2	1,847
South Dakota	40	27	28	0	11	0	106
Tennessee	966	513	380	31	144	2	2,036
Texas	3,291	1,725	1,715	93	814	11	7,649
Utah	521	303	233	17	57	4	1,135
Vermont	57	25	25	2	12	9	130
Virginia	1,489	719	394	118	207	7	3,134
Washington	1,544	655	399	89	145	9	2,841
West Virginia	149	70	58	6	9	2	294
Wisconsin	880	388	266	17	106	4	1,661
Wyoming	30	27	23	1	5	0	86
Other	80	10	13	0	3	0	106

Table 58. Changes in Monthly Principal and Interest Payments (Percentage) Modifications Implemented During the Third Quarter of 2012							
States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	54.2%	20.1%	15.0%	4.1%	6.2%	0.4%	136,316
Alabama	49.8%	21.3%	19.8%	1.1%	8.1%	0.1%	1,341
Alaska	38.6%	27.3%	29.5%	0.0%	4.5%	0.0%	88
Arizona	54.8%	20.8%	15.2%	4.4%	4.8%	0.2%	3,236
Arkansas	41.7%	27.5%	19.7%	2.1%	8.7%	0.4%	528
California	56.7%	15.4%	11.0%	9.9%	4.7%	0.4%	25,233
Colorado	46.4%	24.4%	19.0%	1.6%	8.4%	0.2%	1,985
Connecticut	55.6%	21.7%	13.8%	3.2%	5.3%	0.4%	1,824
Delaware	44.8%	28.5%	20.1%	0.7%	5.6%	0.2%	551
District of Columbia	48.8%	17.3%	16.5%	4.6%	11.2%	1.5%	260
Florida	64.5%	16.6%	9.7%	4.4%	4.3%	0.4%	13,668
Georgia	53.0%	21.3%	17.3%	1.9%	5.9%	0.5%	6,706
Hawaii	59.4%	18.6%	12.5%	3.0%	5.4%	1.2%	335
Idaho	54.6%	22.3%	16.9%	2.1%	5.0%	0.0%	918
Illinois	56.9%	18.3%	12.7%	4.0%	5.8%	0.3%	7,470
Indiana	47.1%	24.6%	19.8%	1.2%	7.3%	0.0%	2,275
Iowa	43.7%	24.4%	20.5%	0.9%	10.5%	0.0%	664
Kansas	45.9%	22.6%	21.2%	1.8%	8.5%	0.0%	660
Kentucky	43.2%	26.7%	20.0%	1.2%	8.9%	0.0%	951
Louisiana	43.9%	21.2%	21.8%	0.6%	12.2%	0.3%	1,149
Maine	52.9%	22.7%	15.9%	1.8%	6.8%	0.0%	397
Maryland	50.2%	22.2%	17.5%	3.7%	5.9%	0.5%	4,283
Massachusetts	55.5%	18.6%	14.6%	5.0%	5.6%	0.5%	2,575
Michigan	54.0%	24.4%	12.8%	3.7%	5.0%	0.2%	4,080
Minnesota	53.1%	23.2%	14.7%	2.6%	6.0%	0.4%	1,977
Mississippi	46.4%	24.7%	18.7%	1.3%	9.9%	0.0%	699
Missouri	52.6%	23.3%	15.1%	1.9%	7.1%	0.1%	2,183
Montana	44.0%	21.7%	23.9%	2.2%	7.6%	0.5%	184
Nebraska	46.5%	19.9%	20.2%	1.2%	12.1%	0.0%	346
Nevada	64.4%	17.0%	10.9%	4.0%	3.2%	0.5%	1,874
New Hampshire	52.0%	20.4%	15.7%	3.3%	8.4%	0.2%	510
New Jersey	54.2%	18.7%	15.6%	3.5%	6.4%	0.6%	4,772
New Mexico	48.2%	20.7%	19.2%	2.7%	8.1%	1.0%	593
New York	58.8%	17.9%	12.9%	3.6%	5.8%	0.8%	6,141
North Carolina	46.0%	22.1%	20.9%	2.2%	8.6%	0.2%	4,060
North Dakota	37.0%	22.2%	29.6%	0.0%	11.1%	0.0%	27
Ohio	50.1%	25.3%	15.3%	1.2%	7.9%	0.1%	4,437
Oklahoma	46.0%	21.1%	21.1%	0.6%	10.9%	0.3%	782
Oregon	55.9%	21.8%	15.0%	2.5%	4.3%	0.4%	1,427
Pennsylvania	50.2%	22.8%	17.0%	1.3%	8.5%	0.2%	3,781
Rhode Island	58.6%	19.5%	10.6%	8.4%	3.0%	0.0%	502
South Carolina	46.5%	22.0%	20.2%	2.6%	8.6%	0.1%	1,847
South Dakota	37.7%	25.5%	26.4%	0.0%	10.4%	0.0%	106
Tennessee	48.4%	25.2%	17.7%	1.6%	7.1%	0.1%	2,038
Texas	43.0%	22.6%	22.4%	1.2%	10.6%	0.1%	7,649
Utah	45.9%	26.7%	20.5%	1.5%	5.0%	0.4%	1,135
Vermont	43.8%	19.2%	19.2%	1.5%	9.2%	6.9%	130
Virginia	47.5%	22.9%	19.0%	3.6%	6.6%	0.2%	3,134
Washington	54.3%	23.1%	14.0%	3.1%	5.1%	0.3%	2,841
West Virginia	50.7%	23.8%	19.7%	2.0%	3.1%	0.7%	294
Wisconsin	53.0%	23.4%	16.0%	1.0%	6.4%	0.2%	1,661
Wyoming	34.9%	31.4%	26.7%	1.2%	5.8%	0.0%	86
Other	75.5%	9.4%	12.3%	0.0%	2.8%	0.0%	106

Table 59. Number of Re-Defaults for Loans Modified in the First Quarter of 2012
(60 or More Days Delinquent After 6 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	6,030	2,332	2,955	253	2,251	83	13,904
Alabama	63	47	57	12	41	0	220
Alaska	3	1	2	0	2	0	8
Arizona	128	43	51	4	41	0	267
Arkansas	23	16	19	0	13	0	71
California	965	269	287	58	301	7	1,877
Colorado	56	35	31	6	25	1	154
Connecticut	105	38	40	1	30	1	216
Delaware	23	13	16	1	12	0	65
District of Columbia	18	7	10	1	4	0	40
Florida	681	161	196	29	158	12	1,237
Georgia	260	120	217	8	125	2	732
Hawaii	15	4	5	1	1	0	26
Idaho	25	5	10	1	8	0	49
Illinois	391	109	149	11	96	4	760
Indiana	100	48	77	6	48	3	282
Iowa	42	15	13	0	11	1	82
Kansas	27	10	14	0	12	1	64
Kentucky	38	22	30	3	25	0	118
Louisiana	48	38	39	2	42	1	170
Maine	18	13	18	0	7	0	56
Maryland	194	90	121	3	87	4	499
Massachusetts	154	55	52	4	37	1	303
Michigan	157	61	84	11	50	2	365
Minnesota	77	33	43	1	40	0	194
Mississippi	31	19	18	3	17	0	88
Missouri	64	64	53	1	43	3	228
Montana	6	4	2	0	4	0	16
Nebraska	17	2	7	1	6	1	34
Nevada	98	32	31	11	22	2	196
New Hampshire	24	10	9	0	10	0	53
New Jersey	289	94	96	10	75	3	567
New Mexico	27	16	13	2	9	1	68
New York	380	122	99	7	73	4	685
North Carolina	173	104	134	8	112	3	534
North Dakota	1	0	2	0	0	0	3
Ohio	148	66	93	5	67	8	387
Oklahoma	24	19	27	2	19	2	93
Oregon	53	28	20	0	19	1	121
Pennsylvania	243	99	99	9	78	1	529
Rhode Island	34	10	14	2	8	0	68
South Carolina	75	38	70	4	40	2	229
South Dakota	2	1	1	1	3	0	8
Tennessee	91	46	66	3	45	0	251
Texas	275	138	272	12	229	2	928
Utah	35	27	29	3	16	2	113
Vermont	5	4	3	2	1	1	16
Virginia	108	54	82	6	59	2	311
Washington	132	44	79	4	33	2	294
West Virginia	9	5	11	0	14	0	39
Wisconsin	76	32	41	0	31	3	183
Wyoming	3	1	3	0	2	0	9
Other	5	0	0	0	0	0	5

Table 60. Re-Default Rates for Loans Modified in the First Quarter of 2012 (Percentage)
(60 or More Days Delinquent After 3 Months by Changes in Monthly Principal and Interest Payments)

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	9.9%	14.7%	23.0%	26.1%	31.2%	20.6%	14.1%
Alabama	13.5%	22.0%	30.5%	30.0%	45.6%	0.0%	22.0%
Alaska	9.1%	9.1%	16.7%	0.0%	40.0%	0.0%	13.1%
Arizona	6.7%	11.9%	19.4%	16.0%	29.1%	0.0%	11.7%
Arkansas	16.8%	17.4%	32.2%	0.0%	36.1%	0.0%	21.5%
California	6.7%	10.4%	14.8%	27.5%	21.9%	14.8%	9.1%
Colorado	7.6%	13.6%	14.9%	54.5%	30.1%	50.0%	11.8%
Connecticut	11.8%	17.1%	27.8%	16.7%	31.3%	25.0%	15.8%
Delaware	11.9%	16.7%	28.6%	14.3%	37.5%	0.0%	17.7%
District of Columbia	13.8%	17.5%	31.3%	50.0%	19.0%	0.0%	17.8%
Florida	8.9%	12.2%	20.1%	35.4%	27.1%	24.0%	11.6%
Georgia	10.2%	16.6%	29.2%	15.1%	37.0%	15.4%	16.6%
Hawaii	7.0%	7.8%	16.1%	50.0%	9.1%	0.0%	8.4%
Idaho	13.3%	6.3%	16.7%	20.0%	33.3%	0.0%	13.7%
Illinois	11.5%	14.6%	27.3%	39.3%	34.3%	26.7%	15.1%
Indiana	16.4%	16.4%	27.6%	35.3%	39.7%	15.0%	20.4%
Iowa	19.0%	18.8%	17.3%	0.0%	34.4%	100.0%	20.0%
Kansas	14.3%	19.7%	21.2%	0.0%	37.5%	25.0%	17.4%
Kentucky	14.1%	17.7%	20.1%	30.0%	40.3%	0.0%	19.2%
Louisiana	12.4%	19.1%	25.0%	22.2%	38.5%	25.0%	19.7%
Maine	10.7%	24.5%	37.5%	0.0%	28.0%	0.0%	18.9%
Maryland	10.1%	17.1%	26.9%	18.8%	34.4%	57.1%	15.6%
Massachusetts	12.0%	16.7%	22.7%	50.0%	35.9%	33.3%	15.5%
Michigan	10.4%	14.8%	25.8%	24.4%	31.6%	16.7%	14.8%
Minnesota	10.5%	14.8%	23.5%	20.0%	37.7%	0.0%	15.3%
Mississippi	17.5%	18.1%	21.4%	21.4%	42.5%	0.0%	20.2%
Missouri	11.1%	22.5%	26.1%	10.0%	33.9%	27.3%	18.8%
Montana	9.7%	19.8%	14.3%	0.0%	30.6%	0.0%	13.9%
Nebraska	17.3%	5.4%	17.5%	50.0%	26.1%	14.3%	16.4%
Nevada	8.6%	16.3%	21.7%	44.0%	26.2%	38.0%	12.5%
New Hampshire	13.3%	14.9%	19.6%	0.0%	35.7%	0.0%	16.4%
New Jersey	11.5%	16.0%	24.2%	36.5%	33.5%	50.0%	15.1%
New Mexico	13.3%	23.5%	20.0%	50.0%	25.0%	50.0%	18.0%
New York	9.5%	14.5%	17.6%	22.6%	25.2%	30.8%	12.0%
North Carolina	12.4%	20.8%	25.3%	15.4%	38.0%	23.1%	19.2%
North Dakota	8.3%	0.0%	20.0%	0.0%	0.0%	0.0%	9.7%
Ohio	12.0%	14.5%	23.6%	13.9%	28.2%	22.9%	16.2%
Oklahoma	13.0%	15.7%	30.0%	40.0%	32.8%	22.2%	19.3%
Oregon	8.7%	15.8%	16.1%	0.0%	32.2%	25.0%	12.4%
Pennsylvania	16.1%	20.1%	26.2%	12.5%	35.3%	11.1%	19.6%
Rhode Island	14.3%	19.2%	26.9%	50.0%	29.6%	0.0%	18.2%
South Carolina	11.6%	14.2%	31.8%	25.0%	34.2%	66.7%	18.1%
South Dakota	10.0%	7.1%	9.1%	100.0%	42.9%	0.0%	15.1%
Tennessee	14.1%	17.5%	27.2%	12.5%	35.4%	0.0%	19.2%
Texas	12.8%	14.7%	28.1%	35.3%	38.0%	14.3%	19.7%
Utah	8.7%	15.6%	25.4%	42.9%	29.1%	100.0%	14.8%
Vermont	9.8%	19.0%	15.0%	50.0%	14.3%	50.0%	15.2%
Virginia	8.8%	13.2%	22.2%	27.3%	33.9%	20.0%	14.0%
Washington	9.7%	11.7%	28.2%	25.0%	27.5%	25.0%	13.6%
West Virginia	10.7%	14.7%	32.4%	0.0%	53.6%	0.0%	21.4%
Wisconsin	13.3%	15.1%	21.2%	0.0%	34.4%	42.9%	16.9%
Wyoming	12.5%	8.3%	33.3%	0.0%	50.0%	0.0%	17.3%
Other	15.6%	0.0%	0.0%	0.0%	0.0%	0.0%	10.4%

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Office of the Comptroller of the Currency

Washington, DC 20219

May 6, 2013

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson:

Enclosed please find my responses to the questions for the record submitted following the February 14, 2013, hearing on "Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections."

I hope the information provided is helpful to the Committee. If you have questions or need additional information, please contact Carrie Moore, Director for Congressional Liaison, at 202-649-6737.

Sincerely,

Thomas J. Curry
Comptroller of the Currency

Enclosure

Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections
February 14, 2013

<u>Questions for The Honorable Tom Curry, Comptroller, Office of the Comptroller of the Currency, from Ranking Member Crapo:</u>

1. Given how complex it is to determine whether a trade is a hedge or a proprietary trade, it appears the real issue is whether a trade threatens the safety and soundness of the bank. What benchmark does your agency use to determine whether a particular activity is or is not "hedging"? How does your agency determine whether the trade presents risks to the safety and soundness of a financial institution?

   Response: Our agency evaluates whether particular activities are hedging based on their effectiveness in managing risks arising from banking activities and their conformance with the bank's hedging policies and procedures. OCC Banking Circular 277 discusses appropriate risk management of financial derivatives.

   The OCC expects banks to establish hedging policies and procedures that clearly specify risk appetite, hedging strategies, including the types of hedge instruments permitted, and to document hedge positions. Documentation should include identification of the assets or liabilities or positions being hedged, how the hedge manages the risk associated with those assets or liabilities or positions, and how and when the hedge will be tested for effectiveness. As an additional control, a bank's risk management systems should facilitate stress testing and enable management and the OCC to assess the potential impact of various changes in market factors on earnings and capital. We also expect banks to establish prudent limits and sub-limits on hedging instruments to protect against concentrations in any particular instruments.

   We expect banks to produce periodic risk, as well as hedging profit and loss (P&L) reports, and we use those reports to identify hedging activities that show an increase in risks and produce material amounts of continuing profits or losses and may warrant further review. As with any other significant positions on or off-balance sheet, the institution's internal risk management function should review material hedged positions, resulting material profits or losses, and material risk measures (e.g., stress, value-at-risk, and relevant non-statistical risk measures) to evaluate whether activities are effectively mitigating risk and whether the hedging activities present risks to the safety and soundness of the bank.

   The OCC recognizes that controls at smaller banks with simpler hedging activity need not be as complex and sophisticated as at larger banks. Nevertheless, at a minimum, these banks' risk management systems should evaluate the possible impact of hedges on earnings and capital that may result from adverse changes in interest rates and other relevant market conditions. We expect these banks to periodically review the effectiveness of their hedges as a part of the bank's overall risk management; including, where appropriate, back testing. In addition, examiners review large holdings in the investment and derivatives portfolios, as well as material changes that have occurred between examinations.

We also note that the Volcker Rule provisions of the Dodd-Frank Act prohibit proprietary trading except for certain permitted activities, including risk-mitigating hedging. The proposed implementing regulations issued by the agencies, including the OCC, contain a number of requirements designed to ensure that a banking entity's hedging activities reduce specific risks in connection with the entity's individual or aggregate holdings and do not give rise to new exposures that are not simultaneously hedged. For example, the proposed regulations require banking entities to engage in permitted hedging activities in accordance with written policies and procedures, subject to continuing review, monitoring and management, and only if compensation arrangements of persons performing hedging activities are designed not to reward proprietary risk-taking. The interagency Volcker regulations, when finalized, will provide standards for distinguishing a hedge from a proprietary trade, in addition to the supervisory standards described above.

2. Federal Reserve, FDIC and OCC have issued proposed rules to implement Dodd-Frank and Basel III capital requirements for U.S. institutions. Late last year, your agencies pushed back the effective date of the proposed Basel III rules beyond January 1, 2013. Given the concerns that substantially higher capital requirements will have a negative impact on lending, are your agencies using this extra time to conduct a cost-benefit analysis about the impact of the proposed rules on the U.S. economy, availability and cost of credit, cost of insurance, and the regulatory burden on institutions, before implementing the final rules?

   Response: In response to the three notices of proposed rulemaking, the federal banking agencies received more than 4,000 total comments, many of which expressed concern about the potential impact of the rulemaking on U.S. banking organizations and, in particular, their ability to serve as financial intermediaries. Late last year, the OCC and the other federal banking agencies determined that, rather than rushing to implement a final rule, it would be prudent to delay the final rulemaking in order to review all the comments carefully and ensure that the final rulemaking appropriately addresses the commenters' concerns without sacrificing the goal of implementing substantial improvements to the agencies' respective regulatory capital frameworks. The agencies now are working to complete the final rule and to update and revise their analyses, as appropriate.

For the proposals, the OCC conducted those cost and burden analyses required by the Regulatory Flexibility Act, the Paperwork Reduction Act, and the Unfunded Mandates Reform Act of 1995, among others, the results of which were detailed in the proposals. For the final rulemaking, the OCC and the other federal banking agencies are working to update those analyses. Additionally, the agencies must determine whether the rule is likely to be a "major rule" for the purposes of the Congressional Review Act, which is defined, in part, as any rule that results in or is likely to result in an annual effect on the economy of $100 million or more.

In response to several specific questions in the proposals about potential costs related to the proposals, a substantial number of commenters provided a great deal of feedback both on the potential impact of specific provisions, and on the proposed framework in its entirety. During the comment period, the agencies also participated in various outreach efforts, such as engaging community banking organizations and trade associations, among others, to better understand industry participants' concerns about the proposals and to gather information on their potential effects. These efforts have provided valuable additional information that the OCC and the other federal banking agencies are considering as we develop the final rule and analyze its potential impact.

The OCC continues to believe that all banking organizations need a strong capital base to enable them to withstand periods of economic adversity and continue to fulfill their role as a source of credit to the economy. Therefore, the OCC is working diligently with the other federal banking agencies to complete the rulemaking process and develop a final rule as expeditiously as possible.

3. Given the impact that the Qualified Mortgages (QM) rules, the proposed Qualified Residential Mortgages (QRM) rules, the Basel III risk-weights for mortgages, servicing, escrow and appraisal rules will have on the mortgage market and the housing recovery, it is crucial that these rules work in concert. What analysis has your agency conducted to assess how these rules work together? What is the aggregate impact of those three rules, as proposed and finalized, on the overall mortgage market as well as on market participants?

   Response: This body of rules, covering securitization risk retention, risk-based capital, and consumer protection in the origination and servicing of mortgages, are all part of the government's response to fundamentally unsound mortgage market practices that were the eventual triggering mechanism for the financial crisis. They address different aspects of the interlinked market mechanisms through which mortgages are created, funded, and administered. Several agencies are involved in fashioning these rules, including the banking agencies and the CFPB, the SEC, the FHFA, and HUD.

The OCC has not been part of the rulemaking group for all these rules, but it has been involved in the rulemakings for securitization risk retention, Basel III, and appraisals for higher-risk mortgages. For each of these regulatory proposals, the OCC and the other agencies participating in the rulemakings have designed the proposed rules to impose new market protections in a fashion that appropriately preserves the availability of mortgages to creditworthy consumers at reasonable prices. In addition, the OCC conducted cost and burden analyses of the impact of the proposed rules on mortgage market participants that will be subject to the new rules, as required by the Regulatory Flexibility Act, the Paperwork Reduction Act, and the Unfunded Mandates Reform Act of 1995. For the final rulemaking, the OCC must determine whether the rule is likely to be a "major rule" for the purposes of the Congressional Review Act, which is defined, in part, as any rule that results in or is likely to result in an annual effect on the economy of $100 million or more.

In addition, in response to the agencies' request for public comments on these proposed rules, commenters have expressed concern to the agencies about the potential impact on mortgage availability and prices, and in certain instances provided quantitative analysis to support their views. We are considering these views and information as we go forward with the rulemakings.

4. Under the Basel III proposals mortgages will be assigned to two risk categories and several subcategories, but in their proposals the agencies did not explain how risk weights for those subcategories are determined and why they are appropriate. How did your agency determine the appropriate range for those subcategories?

   Response: An overarching concern from the many comment letters the agencies received was the proposed treatment of residential mortgages in the Standardized Approach NPR. As stated in the proposal, residential mortgages would be separated into two risk categories based on product and underwriting characteristics and then, within each category, assigned risk weights based on loan-to-value ratios (LTVs).

   During the market turmoil, the U.S. housing market experienced significant deterioration and unprecedented levels of mortgage loan defaults and home foreclosures. The causes for the significant increase in loan defaults and home foreclosures included inadequate underwriting standards, the proliferation of high-risk mortgage products, the practice of issuing mortgage loans to borrowers with undocumented income, as well as a precipitous decline in housing prices and a rise in unemployment.

   The NPR proposed to increase the risk sensitivity of the regulatory capital rules by raising the capital requirements for the riskiest, nontraditional mortgages while actually lowering the requirements for relatively safer, traditional residential mortgage loans with low LTVs. These provisions in the Standardized Approach NPR were designed to address some of the causes of the crisis attributed to mortgages as well as to provide greater risk sensitivity in banks' capital requirements.

Given the characteristics of the U.S. residential mortgage market, the agencies believed that a wider range of risk weights based on key risk factors including product and underwriting characteristics and LTVs were more appropriate. The proposed ranges and key risk factors were developed on an interagency basis with the expert supervisory input of policy experts and bank examiners.

The OCC recognizes that some aspects of the proposed treatment for residential mortgages could impose a burden on community banks and thrifts. We are considering all the issues raised by the commenters as we develop the final rule in conjunction with the other banking agencies.

Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections

February 14, 2013

Questions for The Honorable Tom Curry, Comptroller, Office of the Comptroller of the Currency, from Senator Warren:

1. Can you provide a list of OCC consent orders with the top five national banks by asset size over the past 20 years?

Response 1: Attached is a list of the top five national banks by asset size over a 20-year period as well as a list that contains all public formal enforcement actions against those banks.

a. Can you also describe the process by which OCC tracks consent orders and verifies bank compliance with the terms?

Response 1a: Large Bank Supervision (LBS) teams provide ongoing supervisory oversight to ensure banks comply with Consent Orders and implement timely corrective action. They enter Consent Orders into LBS information systems. This includes LB-ID, which provides a high level record of the outstanding Consent Order. The enforcement document is housed in WISDM, which contains all documents of record for a particular institution. WISDM allows the examination team to create folders that contain the full document and bank responses, correspondence, and supporting information for each Article. Examination teams may also use official OCC shared sites (e.g., Sharepoint) as a working repository in conjunction with WISDM. Teams monitor compliance with each article of the Consent Order through regular discussions with bank management and internal audit, and confirm compliance through testing during the ongoing supervisory process and/or targeted reviews. The examiner-in-charge may assign individual examiners reporting through the team lead the responsibility for tracking and follow-up on particular Articles.

LBS teams formally communicate the status of corrective actions and compliance with Articles in the Consent Order through Supervisory Letters. An LBS team generally requires the bank's internal audit to test for compliance and correction of the identified weakness before the OCC will render judgment of the adequacy of the actions. LBS teams utilize the internal audit's findings and recommendations and also perform testing and sampling to ensure proper remediation and sustainability of corrective actions. If satisfactory, the examiner will provide documentation to the examiner-in-charge to support a decision on compliance.

Midsize and Community Bank Supervision (MCBS) examination teams continuously track Consent Order compliance through on-site examinations, off-site monitoring, and regular correspondence with banks. They maintain a detailed inventory of the individual actionable Articles within each Consent Order under a designated file structure on Examiner View (EV). EV allows examiners to identify and track due dates for each Article, the documentation the bank provides in response to each requirement, the examiners' notes on the bank's progress in achieving compliance, and ultimately whether the bank has achieved compliance. EV also ties each Article in an enforcement document to the relevant Matter Requiring Attention, if applicable. Because each Article has different requirements for the bank to submit information, EV also includes an inventoried location for storing all enforcement action related follow-up documentation.

MCBS teams use EV to establish the supervisory strategy and develop examination resource requirements for each FDICIA cycle. Each full scope and interim examination will include an assessment and detailed description of enforcement action compliance. Occasionally, MCBS teams will conduct other targeted reviews or offsite reviews that focus on a discrete area of the enforcement action to supplement the supervisory cycle. Generally, MCBS teams communicate their conclusions regarding Consent Order compliance to the bank twice a year within examination reports; however, they often will send Supervisory Letters in response to individual bank submissions.

2. Has the OCC conducted any internal research or analysis on trade-offs to the public between settling an enforcement action without admission of guilt and going forward with litigation as necessary to obtain such admission?

    a. If so, can you provide that analysis to the Committee?

Response: The OCC does not have any internal research or analysis on the trade-offs of settling without an admission of liability.

Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections

February 14, 2013

Questions for The Honorable Tom Curry, Comptroller, Office of the Comptroller of the Currency, from Senator Heitkamp:

1) Chairman Gruenberg and Comptroller Curry: I thank you for understanding that as relationship lenders in local communities, community banks are able to provide much needed financing to both residential and commercial borrowers in rural and underserved areas where larger banks are unable or unwilling to participate. Have you thoroughly considered the impact of higher risk weights from Basel III on community banks, as well as on the local communities where they serve?

   Response: The OCC is very much aware of the special role that smaller banks play in our communities in providing financing of our country's small businesses and families. Given the vital role that banks serve in our national economy and local communities, we are committed to helping ensure that the business model of banks, both large and small, remains vibrant and viable.

   As noted in the preambles to the proposals, the agencies assessed the potential effects of the proposed rules on banks by using regulatory reporting data and making certain key assumptions. The agencies' assessments indicated that most community banks hold capital well above both the existing and the proposed regulatory minimums. Therefore, the proposed requirements are not expected to impact significantly the capital structure of most banks.

   One of the key purposes of the notice and comment process is to gain a better understanding of the potential impact of a proposal on banks of all sizes. To foster feedback from community banks on potential effects of the proposals, the agencies developed and posted on their respective Web sites an estimator tool that allowed a smaller bank to use bank-specific information to assess the likely impact on the individual institution.

   The OCC remains committed to reviewing and evaluating the issues and the comments received as we move toward a final rule.

Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections

February 14, 2013

<u>Questions for The Honorable Tom Curry, Comptroller, Office of the Comptroller of the Currency, from Senator Toomey:</u>

- In response to concerns that the bank-centric Basel III capital standards are unworkable for insurers, the Fed has indicated that it would perform some tailoring of those standards. However, there is continuing concern among the life insurance industry that the proposed tailoring is inadequate and does not properly acknowledge the wide differences between banking and insurance.

    - What kinds of more substantive changes will the Fed consider to the Basel III rulemaking to prevent negative impacts to insurers and the policyholders, savers, and retirees that are their customers?

    Response: The Federal Reserve Board is the primary regulator of bank and savings and loan holding companies (SLHCs), including SLHCs that have insurance companies in their corporate structures. We therefore defer to the Federal Reserve Board to respond to this question.

- There is also a concern that the bank standards are a dramatic departure from the duration matching framework common to insurance supervision.

    - What is your response to that concern and would the Fed consider doing more than just tailoring bank standards?
    - Do you believe that, from an insurance perspective, Basel III bank standards are an incremental or dramatic departure from current insurance standards?

    Response: We defer to the Federal Reserve Board to respond to these questions.

- Regarding the Volcker Rule, some have suggested that the banking agencies should just go ahead and issue their final rule without waiting to reach agreement with the Securities and Exchange Commission and Commodities Futures Trading Commission, which have to issue their own rules. This scenario could result in there being more than one Volcker Rule, which would create significant confusion about which agency's rule would apply to which covered activity.

- Do you agree that there should be only one Volcker Rule?

  Response: The Dodd-Frank Act envisions a coordinated effort among the Volcker Rule rulewriting agencies. It requires the federal banking agencies to issue a joint regulation; it further requires the banking agencies and the Securities and Exchange Commission and Commodity Futures Trading Commission to consult and coordinate with one another for the purpose of assuring that their rules are comparable and provide for consistent application. The agencies have been regularly consulting with each other and will continue to do so to achieve the consistency that Congress clearly intended.

SELECTED OCC ENFORCEMENT ACTIONS AGAINST LARGE BANKS

BANK NAME	ENF ACTN NUMBER	ENF ACTN TYPE	ENF ACTN EFFECTIVE DT	ENF ACTN CMP OR RESTITUTN AMT
Bank of America, NA	974	Bank civil money penalty	1/15/1992	$ 100,000
Bank of America, NA	974	Securities enforcement	1/15/1992	
Bank of America, NA	2005-10	Formal agreement	2/9/2005	
Bank of America, NA	2010-239	Formal agreement	12/7/2010	$ 9,217,218
Bank of America, NA	2011-048	Cease and desist	4/13/2011	
Bank of America, NA	2012-039	Formal agreement	2/27/2012	
Bank of America, NA	2013-127	Cease and desist	2/28/2013	
Citibank, NA	634	Securities enforcement	6/24/1992	
Citibank, NA	2003-77	Formal agreement	7/28/2003	
Citibank, NA	2011-046	Cease and desist	4/13/2011	
Citibank, NA	2012-041	Formal agreement	2/24/2012	
Citibank, NA	2012-052	Cease and desist	4/5/2012	
Citibank, NA	2013-131	Cease and desist	2/28/2013	
The Chase Manhattan Bank (NA)	94-158	Securities enforcement	10/5/1994	
JPMorgan Chase Bank, NA	2011-050	Cease and desist	4/13/2011	
JPMorgan Chase Bank, NA	2011-094	Bank civil money penalty	6/14/2011	$ 2,000,000
JPMorgan Chase Bank, NA	2011-105	Bank civil money penalty	7/6/2011	$ 22,000,000
JPMorgan Chase Bank, NA	2011-108	Formal agreement	7/6/2011	$ 13,051,527
JPMorgan Chase Bank, NA	2012-040	Formal agreement	2/22/2012	
JPMorgan Chase Bank, NA	2013-001	Cease and desist	1/14/2013	
JPMorgan Chase Bank, NA	2013-002	Cease and desist	1/14/2013	
JPMorgan Chase Bank, NA	2013-129	Cease and desist	2/28/2013	
U.S. Bank NA	2006-127	Bank civil money penalty	10/18/2006	$ 125,000
U.S. Bank NA	2011-049	Cease and desist	4/13/2011	
U.S. Bank NA	2013-128	Cease and desist	2/28/2013	
Wachovia Bank, NA	2008-027	Bank civil money penalty	4/24/2008	$ 10,000,000
Wachovia Bank, NA	2008-028	Formal agreement	4/24/2008	$ 125,000,000
Wachovia Bank, NA	2008-159	Formal agreement	12/8/2008	
Wachovia Bank, NA	2009-063	Bank civil money penalty	5/8/2009	$ 51,205
Wachovia Bank, NA	2010-036	Bank civil money penalty	3/12/2010	$ 50,000,000
Wachovia Bank, NA	2010-037	Cease and desist	3/12/2010	
Wells Fargo Bank, NA	2005-77	Bank civil money penalty	6/27/2005	$ 115,000
Wells Fargo Bank, NA	2011-051	Cease and desist	4/13/2011	
Wells Fargo Bank, NA	2011-175	Bank civil money penalty	12/8/2011	$ 20,000,000
Wells Fargo Bank, NA	2011-174	Formal agreement	12/8/2011	$ 14,518,013
Wells Fargo Bank, NA	2012-042	Formal agreement	2/22/2012	
Wells Fargo Bank, NA	2013-132	Cease and desist	2/28/2013	

OCC Large Banks

Years *(YE Total Assets)*	Five Largest Financial Institutions	Charter Number
2012-2010	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Wells Fargo Bank, National Association, Sioux Falls, SD • U.S. Bank National Association, Cincinnati, OH	• 8 • 13044 • 1461 • 1 • 24
2009-2002	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Wells Fargo Bank, National Association, Sioux Falls, SD • Wachovia Bank, National Association, Charlotte, NC	• 8 • 13044 • 1461 • 1 • 1
2001-2000	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Wachovia Bank, National Association, Charlotte, NC • Fleet National Bank, Providence, RI	• 8 • 13044 • 1461 • 1 • 200
1999	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Wells Fargo Bank, National Association, Sioux Falls, SD • Wachovia Bank, National Association, Charlotte, NC	• 8 • 13044 • 1461 • 1 • 1
1998	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Wachovia Bank, National Association, Charlotte, NC • Bank of America, National Association, Charlotte, NC	• 8 • 13044 • 1461 • 1 • 14448
1997	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Bank of America, National Association, Charlotte, NC • First Union National Bank, Charlotte, NC	• 8 • 13044 • 1461 • 14448 • 15650
1996	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Wells Fargo Bank, National Association, Sioux Falls, SD • Bank of America, National Association, Charlotte, NC	• 8 • 13044 • 1461 • 1 • 14448
1995	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Bank of America, National Association, Charlotte, NC • The Chase Manhattan bank (National Association), NY,NY	• 8 • 13044 • 1461 • 14448 • 2370
1994-1992	• JP Morgan Chase Bank, National Assoc., Columbus, OH • Bank of America, National Assoc., Charlotte, NC • Citibank, National Association, Sioux Falls, SD • Wells Fargo Bank, National Association, Sioux Falls, SD • The Chase Manhattan Bank (National Association), NY, NY	• 8 • 13044 • 1461 • 1 • 2370

OCC Large Banks

Notes:

- Cht # 8, JP Morgan Chase Bank, NA; Ch#13044 Bank of America, NA; and Cht #1461 Citibank NA==in top five 1992- 2012
- 2000 The Chase Manhattan Bank merged with JPMorgan
- 2008 1st Union Purchased Wachovia; Wachovia name maintained
- 2008 Wells Fargo Bank purchased Wachovia Bank
- 2009 Bank of America purchased Fleet National Bank

United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

WASHINGTON, DC 20510-6075

February 27, 2013

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, D.C. 20219

Dear Comptroller Curry:

Thank you for testifying before the Committee on Banking, Housing, and Urban Affairs at our hearing on February 14, 2013 entitled 'Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections' In order to complete the hearing record, we would appreciate your answers to the enclosed questions as soon as possible. When formatting your response, please repeat the question, then your answer, single spacing both question and answer. Please do not use all capitals.

Send your reply to Ms. Dawn L. Ratliff, the Committee's Chief Clerk. She will transmit copies to the appropriate offices, including the Committee's publications office. Due to current procedures regarding Senate mail, it is recommended that you send replies via e-mail in a MS Word, WordPerfect or .pdf attachment to Dawn_Ratliff@banking.senate.gov.

If you have any questions about this letter, please contact Ms. Ratliff at (202)224-3043.

Sincerely,

Tim Johnson
Chairman

TJ/dr

Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections
February 14, 2013

Questions for The Honorable Tom Curry, Comptroller, Office of the Comptroller of the Currency, from Ranking Member Crapo:

1. Given how complex it is to determine whether a trade is a hedge or a proprietary trade, it appears the real issue is whether a trade threatens the safety and soundness of the bank. What benchmark does your agency use to determine whether a particular activity is or is not "hedging"? How does your agency determine whether the trade presents risks to the safety and soundness of a financial institution?

2. Federal Reserve, FDIC and OCC have issued proposed rules to implement Dodd-Frank and Basel III capital requirements for U.S. institutions. Late last year, your agencies pushed back the effective date of the proposed Basel III rules beyond January 1, 2013. Given the concerns that substantially higher capital requirements will have a negative impact on lending, are your agencies using this extra time to conduct a cost-benefit analysis about the impact of the proposed rules on the U.S. economy, availability and cost of credit, cost of insurance, and the regulatory burden on institutions, before implementing the final rules?

3. Given the impact that the Qualified Mortgages (QM) rules, the proposed Qualified Residential Mortgages (QRM) rules, the Basel III risk-weights for mortgages, servicing, escrow and appraisal rules will have on the mortgage market and the housing recovery, it is crucial that these rules work in concert. What analysis has your agency conducted to assess how these rules work together? What is the aggregate impact of those three rules, as proposed and finalized, on the overall mortgage market as well as on market participants?

4. Under the Basel III proposals mortgages will be assigned to two risk categories and several subcategories, but in their proposals the agencies did not explain how risk weights for those subcategories are determined and why they are appropriate. How did your agency determine the appropriate range for those subcategories?

Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections

February 14, 2013

<u>Questions for The Honorable Tom Curry, Comptroller, Office of the Comptroller of the Currency, from Senator Warren:</u>

1. Can you provide a list of OCC consent orders with the top five national banks by asset size over the past 20 years?
    a. Can you also describe the process by which OCC tracks consent orders and verifies bank compliance with the terms?
2. Has the OCC conducted any internal research or analysis on trade-offs to the public between settling an enforcement action without admission of guilt and going forward with litigation as necessary to obtain such admission?
    a. If so, can you provide that analysis to the Committee?

Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections

February 14, 2013

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