

Press Releases

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OTS 11-007 - Mortgage Performance Slightly Better in Fourth Quarter of 2010; Serious Delinquencies Drop for the Fourth Consecutive Quarter

Joint Release

Office of the Comptroller of the Currency Office of Thrift Supervision

For Immediate Release
March 31, 2011

WASHINGTON—The credit quality of first-lien mortgages serviced by large national banks and thrifts improved slightly during the fourth quarter of 2010, according to a report released today.

The quarterly report by the Office of the Comptroller of the Currency and the Office of Thrift Supervision showed that 87.6 percent of the 32.9 million loans in the portfolio were current and performing at the end of the fourth quarter of 2010. While mortgage delinquency levels remained elevated, the overall quality of the portfolio of mortgages included in this report improved from the previous quarter. The percentage of mortgages that were seriously delinquent declined for the fourth consecutive quarter to the lowest level since the second quarter of 2009.

Completed foreclosures and newly initiated foreclosures decreased in the fourth quarter as the largest mortgage servicers slowed foreclosure actions during a review of their foreclosure processing procedures. Completed foreclosures decreased by nearly 50 percent to 95,067. Newly initiated foreclosures decreased by almost 8 percent to 352,318. Because new foreclosures outpaced completed foreclosures, the inventory of foreclosures in process increased by more than 7 percent to 1,290,253; that represented 3.9 percent of all serviced loans at the end of the fourth quarter. New and completed foreclosures are likely to increase in upcoming quarters as moratoria are lifted and the large inventory of seriously delinquent loans and loans in process of foreclosure work through the system.

During the quarter, servicers initiated more than three times as many home retention actions as completed home forfeiture actions. Servicers implemented 473,415 home retention actions (loan modifications, trial period plans, and shorter term payment plans), compared with 146,132 completed home forfeiture actions (completed foreclosures, short sales, and deed-in-lieu-of-foreclosure actions).

During the past five quarters, servicers initiated nearly 2.7 million home retention actions—about 1.1 million modifications, 1 million trial-period plans, and 640,000 payment plans. In the fourth quarter, home retention actions increased slightly from the prior quarter, driven primarily by new trial-period plans under the Home Affordable Modification Program (HAMP) and other programs.

Other key findings of the report included:

- Nearly 90 percent of the 208,696 modifications implemented during the fourth quarter reduced homeowners' monthly principal and interest payments. Modifications made during the quarter reduced payments by an average of \$414, or 25.5 percent. HAMP modifications reduced payments by an average of \$587 (35.9 percent), compared with a payment reduction of \$351 (21.6 percent) from other modifications.
- Modifications that significantly reduced monthly principal and interest payments continued to perform better than earlier modifications that did not emphasize sustainability and affordability. More than 57 percent of the modifications made since January 1, 2008 that reduced payments by 10 percent or more were current and performing at the end of the fourth quarter of 2010. In contrast, only 34 percent of modifications made during the same period that reduced payments by less than 10 percent were current and performing.

The report covers about 63 percent of all first-lien mortgages in the country, worth \$5.7 trillion in outstanding balances. The complete report can be downloaded from the OCC and OTS Web sites, www.occ.gov and www.ots.treas.gov.

Attachment:

OCC and OTS Mortgage Metrics Report, Fourth Quarter 2010

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Related Files

- **OCC and OTS Mortgage Metrics Report 4Q 2010** - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2011-07a.pdf>