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Capital Markets
Accounting Developments
Advisory 2008 – 8
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OCC Mortgage Metrics Report - Analysis and Disclosure of National Bank Mortgage Loan Data

Overview

On June 11, 2008, at the American Securitization Forum annual conference, Comptroller of Currency ("OCC"), John C. Dugan unveiled the Mortgage Metrics Report to the public. The report captures key performance data on over 23 million first residential mortgage loans, totaling $3.8 trillion serviced by nine national banks.

The OCC charters, regulates, and supervises all national banks. It also supervises the federal branches and agencies of foreign banks. Headquartered in Washington, D.C., the OCC has four district offices plus an office in London to supervise the international activities of national banks.

The OCC was established in 1863 as a bureau of the U.S. Department of the Treasury. The OCC is headed by the Comptroller, who is appointed by the President, with the advice and consent of the Senate, for a five-year term.

The Comptroller also serves as a director of the Federal Deposit Insurance Corporation (FDIC) and a director of the Neighborhood Reinvestment Corporation.

Capital Markets Accounting Developments Advisory 2008 - 8 is produced by PricewaterhouseCoopers (PwC) - Financial Instruments and Credit Group to apprise PwC clients and friends on the latest news on significant accounting, auditing and regulatory matters.

The Mortgage Metrics report issued by the OCC primarily focuses on delinquencies, loss mitigation actions, and foreclosures. The Office of the Comptroller of Currency ("OCC") developed standardized definitions and data elements, and has shared these definitions and data elements with other federal regulators to facilitate an industry-wide data collection and analysis standard.

In subsequent reports, the OCC intends to disclose additional information related to loan performance and expects that the standardized metrics will serve as a valuable mechanism in monitoring and regulating mortgage practices.

The Metrics Report

The OCC released the first OCC Mortgage Metrics Report (the "OCC Report") on June 11, 2008. The report compiles mortgage performance data from nine national banks. This data represents approximately 90 percent of all mortgages serviced by national banks and 40 percent of all U.S. residential mortgages outstanding. The data summarizes the loan performance and related data for the six month period from October 2007 to March 2008.

The nine banks that provided data for the report included[1]:

- Bank of America,
- Citibank,
- First Horizon,
- HSBC,
- JPMorgan Chase,
- National City,
- US Bank,
- Wachovia, and
- Wells Fargo.

The data in this report is reflective of loan-level data on all first residential mortgages serviced by these banks. In addition, the OCC Report uses standardized terms and definitions for:

- categorization of loans as prime, Alt-A, and subprime based on FICO scores at **origination**,
- delinquencies,
- loan modifications,

[1] As footnoted in OCC Mortgage Metrics Report October 2007 - March 2008

- loss mitigation actions, and
- seriously delinquent loans.

FICG Observations: These are defined using ranges of FICO credit scores at the time of origination, as follows: prime - 660 and above; Alt-A - 620 to 659; and subprime - below 620.

Some of the key findings of the OCC Report include:

The number of current and performing loans remained relatively stable at 94 percent over the reporting period.

FICG Observations: The percentage of loans that are 30 to 89 days delinquent decreased slightly from October 2007 to November 2007, increased in December 2007 and declined in January 2008 through March 2008. The 90+ days delinquent increased October through January 2008 and has remained relatively constant since then.

The majority of serious delinquencies (all delinquencies greater than 60 days and delinquencies greater than 30 days on mortgages held by bankrupt borrowers) were concentrated in the sub-prime category, which represented less than 9 percent of the total portfolio.

FICG Observations: The higher number of seriously delinquent loans in the sub-prime category is a substantiation of the relative risk of these borrowers during the period.

An interesting trend is that the report shows a slight increase in the percentage of seriously delinquent loans for prime borrowers whereas there is a slightly downward trend of seriously delinquent loans in the sub-prime category.

Serious delinquencies increased from 2.1 percent to about 2.2 percent during the reporting period.

FICG Observations: Serious delinquencies increased from 2.11% to 2.33% from October 2007 to January 2008 but have started to drift downwards and were 2.21% in March 2008.

Foreclosures in process consistently increased throughout the reporting period from 0.9 percent of the portfolio to 1.23 percent.

FICG Observations: As of March 2008, prime, Alt-A and sub-prime mortgages, as defined by FICO score at origination, comprised 30%, 21% and 33% of the total foreclosures in process.

Note - 17% of the foreclosures were categorized as "other" because of the unavailability of FICO scores for proper loan categorization.

Payment plans outpaced loan modification as a means of loss mitigation actions.

FICG Observations: The industry framework for fast track loan modifications and upward movement in LIBOR should lead to an increase in the number of loan modifications.

Sub-prime mortgages represented 43 percent of loss mitigation actions, while only being 9 percent of the total portfolio.

FICG Observations: The data demonstrates that the nationwide focus on loan modification and loss mitigation for sub-prime mortgage borrowers is starting to have an effect on the market.

Seriously delinquent sub-prime loans had fewer new foreclosure starts than seriously delinquent prime or Alt-A loans.

FICG Observations: New foreclosures as a percentage of seriously delinquent mortgages were much higher for prime and Alt-A mortgages than sub-prime mortgages. The data validates the industry emphasis on foreclosure and loss avoidance for sub-prime borrowers.

Summary

In summary, the OCC Report is a first-in-kind report that provides substantial insight into the performance of the multi-trillion dollar mortgage industry. It is extremely timely and valuable information, and will enhance transparency into the mortgage markets.

FICG Observations: The OCC Report is a great step towards standardized reporting of key performance data across the entire mortgage industry.

The OCC Report has several unique features compared with other industry reports.

- It has much broader coverage of mortgage data, capturing 23 million mortgages across the nation, totaling 3.8 trillion dollars.

- It encompasses all major segments - prime, Alt-A and sub-prime using a common definition.
- The OCC Report depicts a comprehensive picture of the delinquency and loss experience of the mortgages serviced by the leading national banks.
- It pioneers the effort to promote consistency and transparency of mortgage-related disclosures.
- It will have a profound impact on restoring market order and investor confidence.

If OCC's efforts prove successful, we may see a trend of standardized disclosures in many other asset types, such as home equity, commercial mortgages, credit cards, auto finance, and student loans. The enhancement in disclosure will benefit the industry as a whole - borrowers, lenders, MBS/ABS investors and regulators.

The OCC expects to add additional disclosure items in the future and is working with other regulators to promote standard data collection and reporting for a broader market.

Several important matters will affect the benefits of these efforts include:

- The disclosure of additional data element will provide users a better understanding of the data points and the conclusions generated from the OCC Report.
- If the Office of Thrift Supervision and other federal / state regulators implement the same standard practice, the collaborative efforts by both federal and state agencies will increase the coverage of the overall mortgage market.
- If the future reports disclose mortgage performance in more detail, it will be even more valuable. Sample disclosures may include the delinquencies, loss mitigation and foreclosures in terms of
    (1) conforming vs non-conforming loans,
    (2) purpose of the loan
    (3) occupancy status,
    (4) geographical area, and
    (5) interest rate type.

Questions

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Attachments

1. OCC Mortgage Metrics Report
2. Remarks by John C. Dugan, Comptroller of the Currency at American Securitization Forum - June 11, 2008

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Attachment 1:

OCC Mortgage Metrics Report

Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

ENSURING A SAFE AND SOUND
NATIONAL BANKING SYSTEM
FOR ALL AMERICANS

OCC Mortgage Metrics Report

Analysis and Disclosure of National Bank Mortgage Loan Data

October 2007 – March 2008

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Executive Summary

The **OCC Mortgage Metrics Report** presents key performance data on first residential mortgages serviced by national banks, focusing on delinquencies, loss mitigation actions, and foreclosures.

The Office of the Comptroller of the Currency (OCC) collects this data from the nine national banks[1] that have the largest mortgage servicing portfolios among all national banks. These nine banks combine to service more than 23 million first mortgage loans, totaling $3.8 trillion. Their combined servicing portfolio constitutes more than 90 percent of all mortgages serviced by national banks, and approximately 40 percent of all mortgages outstanding. Approximately 90 percent of the mortgages in the total servicing portfolio are held by third parties via securitization by government-sponsored enterprises and other financial institutions.

This first **OCC Mortgage Metrics Report** provides monthly mortgage performance data for two calendar quarters, from October 1, 2007, to March 31, 2008. Future reports will be issued quarterly.

There are at least three key differences between this report and other reports and data collections that provide information about mortgage performance:

> First, the data contained in the **OCC Mortgage Metrics Report** are comprehensive. The report reflects the activities of many of the industry's largest mortgage servicers, and incorporates information on all mortgages serviced, not just subprime.
>
> Second, the **OCC Mortgage Metrics Report** reflects loan-level data rather than aggregated data: information was collected for each of the more than 23 million individual loans in the total portfolio.
>
> Third, the **OCC Mortgage Metrics Report** uses terms and definitions that are standardized. In particular, the report establishes standard definitions for prime, Alt-A, and subprime mortgages using credit score ranges reported by the Fair Isaac Corporation (FICO). It also standardizes the terms used for delinquencies and for loss mitigation actions such as loan modifications and payment plans. With such standardized definitions and data elements, the OCC can compare data in a consistent way, month to month, across a large segment of the industry.

Among the key findings of this first report are the following:

- The proportion of mortgages in the total portfolio that was current and performing remained relatively constant during the reporting period at approximately 94 percent.
- Serious delinquencies, defined as bankrupt borrowers who are 30 days delinquent and all delinquencies greater than 60 days, increased just one-tenth of a percentage point during the period, from 2.1 percent to about 2.2 percent.
- As in other studies, the report confirms that foreclosures in process are plainly on the rise, with the total number increasing steadily and significantly through the reporting period from 0.9 percent of the portfolio to 1.23 percent. Interestingly, the number of new foreclosures has been quite variable. While one month does not make a trend, new foreclosures in March declined to 45,696, down 21 percent from January's high and down about 4.5 percent from the start of the reporting period last October.
- The majority of serious delinquencies was concentrated in the highest risk segment – subprime mortgages. Though these mortgages constituted less than 9 percent of the total portfolio, they sustained twice as many delinquencies as either prime or Alt-A mortgages.
- Consistent with other reports, payment plans predominated, outnumbering loan modifications in March by more than four to one. But loan modifications increased at a much faster rate during the period.
- Although subprime mortgages constituted less than 9 percent of the total portfolio, subprime loss mitigation actions constituted 43 percent of all loss mitigation actions in March.
- The emphasis on loss mitigation for subprime mortgages corresponds to the nationwide focus on this higher risk sector. Total loss mitigation actions exceeded newly initiated foreclosure proceedings by a margin of nearly 2 to 1.

[1] The nine banks are Bank of America, Citibank, First Horizon, HSBC, JPMorgan Chase, National City, USBank, Wachovia, and Wells Fargo.

Overview

The **OCC Mortgage Metrics Report** presents key performance data on first residential mortgages serviced by national banks, focusing on delinquencies, loss mitigation actions, and foreclosures. The OCC collects this data from the nine national banks that have the largest mortgage servicing portfolios among all national banks, representing more than 90 percent of all mortgages serviced by national banks, and approximately 40 percent of all mortgages outstanding. Approximately 90 percent of the mortgages in the total servicing portfolio are held by third parties via securitization by government-sponsored enterprises and other financial institutions. These nine banks service more than 23 million first mortgage loans, totaling $3.8 trillion.

The OCC Mortgage Metrics Report is based on a data collection process covering 64 data elements for each of more than 23 million mortgages held or serviced by the nine participating national banks from October 2007 through March 2008. This is the first report to gather and analyze systematic information on this scale and in this detail about mortgage delinquencies, loss mitigation actions, and foreclosures. The OCC uses a data vendor to aggregate, validate, store, and generate reports, but retains ownership and control of the data. The OCC has shared its standard data elements and definitions with the Office of Thrift Supervision (OTS), the Federal Reserve Board (FRB), the Department of the Treasury, and the Hope Now Alliance to promote standard data collection and analysis industry wide.

In addition to providing important information to the public, the data gathering for the **OCC Mortgage Metrics Report** supports the OCC's supervision of national bank mortgage practices. It provides an additional tool to help examiners assess emerging trends, identify anomalies, compare national banks to the rest of the industry, evaluate asset quality and loan-loss reserve needs, and evaluate the effectiveness of loss mitigation actions. Over time, the OCC expects to use this information to assess performance by origination channel, state and geographic region, and key credit characteristics.

Despite its relatively comprehensive coverage, it would be inappropriate to extrapolate from the sample covered by the **OCC Mortgage Metrics Report** to draw conclusions about overall conditions in mortgage lending. The portfolio of loans serviced by these nine national banks does not represent a statistically random sample of all mortgage loans; its characteristics differ in notable ways from the overall population of mortgages. For example, the subprime mortgages serviced by these national banks comprise just 25 percent of all subprime mortgages, whereas these banks service about 40 percent of mortgages as a whole. Similarly, the prime mortgages serviced by national banks include a disproportionately high percentage of conforming loans sold to the GSEs – about 66 percent, compared to 43 percent for the industry overall.

The OCC and the nine participating banks devoted significant resources to validating the data to ensure that the information was reliable, accurate, and consistent with similar information presented elsewhere. Steps to ensure the validity of the data included comparisons to banks' quarterly Call Reports, and internal quality reviews conducted by the banks and by the external vendor that compiled the data for the OCC. However, data sets of this size and scope inevitably suffer from a degree of inconsistency, missing data, and other imperfections. For this report, the historical data for October 2007 through February 2008 was provided by the banks on a "best-efforts" basis, and some requested data elements were not readily available. The OCC is working with reporting banks to further refine the data collection process, and over time this will improve the accuracy and completeness of the reported data. The OCC expects future data submissions to be adjusted as errors and omissions are detected; the agency will identify any significant discrepancies that surface through these ongoing efforts in future reports.

Definitions and Methods

The **OCC Mortgage Metrics Report** uses standardized definitions for three categories of mortgage creditworthiness: prime, Alt-A, and subprime. These are defined using ranges of FICO credit scores at the time of origination, as follows: prime – 660 and above; Alt-A – 620 to 659; and subprime – below 620.

Roughly 20 percent of loans in the data were not accompanied by FICO credit scores, and are classified in the report as "Other." This group of loans includes a mix of prime, Alt-A, and subprime loans, and is in large part the result of bank acquisitions of mortgage portfolios from third parties where scores were not readily available, as well as the fact that the retroactive data collection was provided on a "best-efforts" basis. The OCC is working with the participating banks to obtain and include credit scores with future submissions to reduce the percentage of loans in this category going forward.

Other standard definitions in the report include:

- "Seriously delinquent loans" – all mortgages that were 60 or more days past due and all mortgages held by bankrupt borrowers who were 30 or more days past due. Loan delinquencies were reported following the Mortgage Bankers Association (MBA) convention that a loan is "past due" when a scheduled payment is unpaid for 30 days or more.[2]
- "Loss mitigation action" – loan modification or payment plan.[3]
- "Loan modification" – mortgage where terms of the loan were contractually changed, usually with respect to interest rates or term of the loan.
- "Payment plan" – mortgage where the servicer and a borrower have agreed to a short-to-medium term change in scheduled terms and payments to return the mortgage to a current and performing status.
- "New foreclosure" – mortgage where the servicer commenced a formal foreclosure proceeding during the month (e.g., public notice, judicial filing).[4]

The statistics and calculated ratios in this report are based on the number of loans rather than the dollar balance outstanding. Some percentage totals in the charts do not add up to 100 percent because of rounding.

[2] The Office of Thrift Supervision (OTS) method is another reporting convention used by some institutions. Under the OTS method, a loan is "past due" when the borrower fails to make a second consecutive scheduled payment. For general regulatory reporting (Call Reports), institutions may use either method; generally, the MBA method results in higher reported delinquencies than the OTS method.

[3] In addition to the two loss mitigation actions captured in this report – payment plans and loan modifications – mortgage servicers reported several alternative loss mitigation actions, including HomeSaver Advance, FHASecure, partial claims, new subsidy programs, and refinances with principal forgiveness. The OCC plans to include a broader range of loss mitigation actions in future reports.

[4] Many new foreclosures never result in the ultimate foreclosure sale or loss of the borrower's home because banks simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.

Overall Mortgage Portfolio

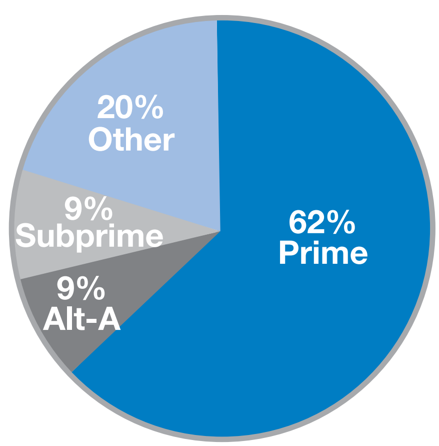
The size of the portfolio remained relatively unchanged during the reporting period: approximately 23 million loans totaling $3.8 trillion.

Likewise, the percentage of loans in each risk category remained constant: prime (62 percent); Alt-A (9 percent); subprime (9 percent); and other (20 percent).

As previously noted, the "other" category consists of loans for which credit scores were unavailable and is a mix of prime, Alt-A, and subprime loans.

Overall Mortgage Portfolio	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
Total Servicing ($ Millions)	$3,21,902	$3,754,424	$3,776,403	$3,802,446	$3,794,229	$3,811,548
Total Servicing (# of Loans)	22,870,228	23,009,739	23,088,628	23,188,685	23,107,715	23,144,866
Composition (% of All Mortgage Loans in the Portfolio)						
Prime	62%	62%	62%	62%	62%	62%
Alt-A	9%	9%	9%	9%	9%	9%
Subprime	9%	9%	9%	9%	9%	9%
Other	20%	20%	20%	20%	20%	20%
Composition (Actual Number of Mortgage Loans in the Portfolio)						
Prime	14,207,088	14,287,358	14,393,519	14,492,456	14,397,503	14,468,184
Alt-A	2,095,576	2,105,708	2,117,682	2,129,575	2,114,584	2,119,065
Subprime	2,006,596	2,009,563	2,012,224	2,014,811	1,998,721	1,998,435
Other	4,560,968	4,607,110	4,565,203	4,551,843	4,596,907	4,559,182

Portfolio Composition
(% of All Mortgage Loans in the Portfolio)
March 2008



Overall Mortgage Performance

The proportion of mortgages in the total portfolio that was current and performing also remained relatively constant during the reporting period at approximately 94 percent.

Delinquencies were concentrated among loans that were 30-59 days delinquent. But as a percentage of the total portfolio, they declined from 2.61 percent in October, to 2.37 percent at the end of March.

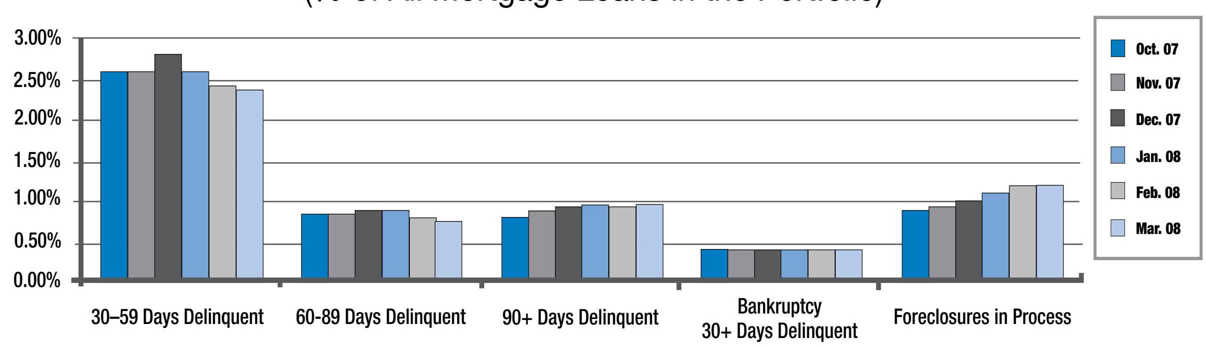
Delinquencies of 90 days or more increased from 0.82 percent in October to 0.97 percent in December. They remained just less than 1 percent of the total portfolio for the balance of the reporting period.

Foreclosures in process increased from the October total of 205,248, or 0.90 percent of the total servicing portfolio, to the March total of 283,988, or 1.23 percent.

Total Mortgage Portfolio
(% of All Mortgage Loans in the Portfolio)

	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
Current and Performing	94.38%	94.26%	93.82%	93.93%	94.18%	94.19%
30–59 Days Delinquent	2.61%	2.59%	2.83%	2.62%	2.41%	2.37%
The Following Three Categories Are Classified as Seriously Delinquent						
60-89 Days Delinquent	0.85%	0.86%	0.91%	0.91%	0.80%	0.79%
90+ Days Delinquent	0.82%	0.90%	0.97%	0.98%	0.97%	0.98%
Bankruptcy 30+ Days Delinquent	0.44%	0.45%	0.45%	0.44%	0.44%	0.44%
Foreclosures in Process	0.90%	0.95%	1.03%	1.12%	1.19%	1.23%
Total Mortgage Portfolio (Actual Number of Mortgage Loans in the Portfolio)						
Current and Performing	21,585,331	21,689,954	21,662,775	21,780,770	21,763,626	21,800,965
30–59 Days Delinquent	596,772	595,330	652,541	607,254	557,923	548,715
The Following Three Categories Are Classified As Seriously Delinquent						
60-89 Days Delinquent	193,533	197,037	210,886	209,873	184,888	183,195
90+ Days Delinquent	188,356	207,107	222,907	228,310	223,994	226,500
Bankruptcy 30+ Days Delinquent	100,988	102,406	102,771	102,259	101,616	101,503
Foreclosures in Process	205,248	217,905	236,748	260,219	275,668	283,988

Performance Overview[5]
(% of All Mortgage Loans in the Portfolio)



[5] The report presents similar data on a similar scale to allow easier comparison from one chart to the next.

Seriously Delinquent Mortgages

Seriously delinquent mortgages are defined as mortgages that were 60 or more days past due and those held by bankrupt borrowers that were 30 or more days past due.

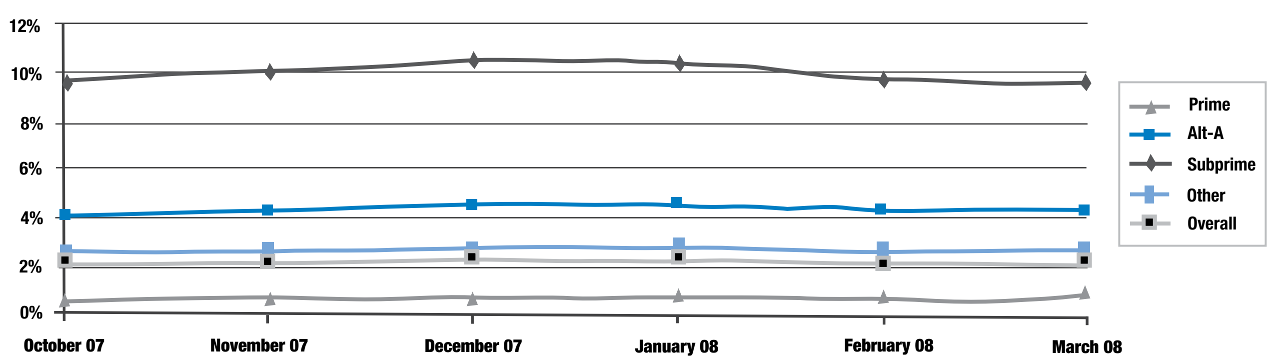
As a percentage of the total portfolio, during the reporting period seriously delinquent mortgages ranged between 2.11 and 2.33 percent. Total serious delinquencies at the end of March were about 5.9 percent higher than the total at the end of October.

Seriously delinquent mortgages were lowest among prime mortgages and highest among subprime mortgages, reflecting the relative risk of these classes of borrowers.

At the end of March, the seriously delinquent rate for subprime mortgages was more than four times the rate for the total portfolio, and 13 times the rate for prime mortgages.

Seriously Delinquent (% of All Mortgage Loans in Each Category)						
	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
Prime	0.60%	0.65%	0.70%	0.72%	0.71%	0.74%
Alt-A	4.08%	4.29%	4.57%	4.61%	4.38%	4.38%
Subprime	9.67%	10.06%	10.57%	10.48%	9.72%	9.64%
Other	2.60%	2.64%	2.76%	2.80%	2.64%	2.60%
Overall	2.11%	2.20%	2.32%	2.33%	2.21%	2.21%
Seriously Delinquent (Actual Number of Mortgage Loans in the Portfolio)						
Prime	84,682	92,316	101,198	103,995	102,064	107,031
Alt-A	85,439	90,358	96,823	98,157	92,589	92,890
Subprime	194,123	202,172	212,700	211,159	194,369	192,653
Other	118,633	121,704	125,843	127,131	121,476	118,624
Overall	482,877	506,550	536,564	540,442	510,498	511,198

Seriously Delinquent
(% of All Mortgage Loans in the Portfolio)



Total End-of-Month Loss Mitigation Actions

The report includes data on only the two most common types of loss mitigation actions: loan modifications and payment plans. In addition, a loan modification or payment plan is not counted until it is actually implemented. We plan to include data on other types of loss mitigation, such as HomeSaver Advance, FHASecure, partial claims, new subsidy programs, and refinances with principal forgiveness in future reports.

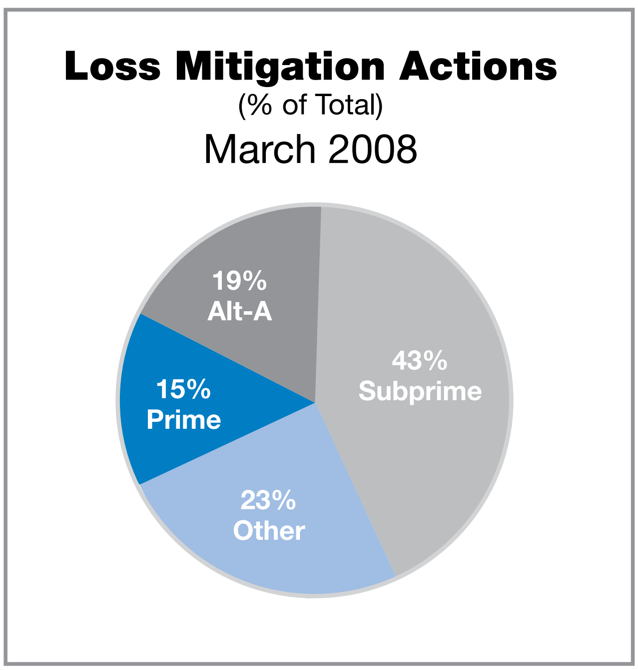
Loss mitigation actions totaled 166,879 at the end of March. Payment plans outnumbered loan modifications by more than four to one.

The greatest number of loss mitigation actions occurred with respect to subprime and Alt-A mortgages.

Although subprime mortgages constituted less than 9 percent of the total portfolio, subprime loss mitigation actions constituted 43 percent of all loss mitigation actions.

Similarly, while Alt-A mortgages comprised about 9 percent of the total portfolio, Alt-A loss mitigation actions constituted 19 percent of all loss mitigation actions.

Loss Mitigation Actions	March 2008		
Modifications	30,906		
Payment Plans	135,973		
Total Loss Mitigation Actions	166,879		
Composition	**By Group**	**% of Total Loss Mitigation Actions**	**% of Total Loss Servicing Portfolio**
Prime	25,265	15%	62%
Alt-A	32,001	19%	9%
Subprime	71,682	43%	9%
Other	37,931	23%	20%

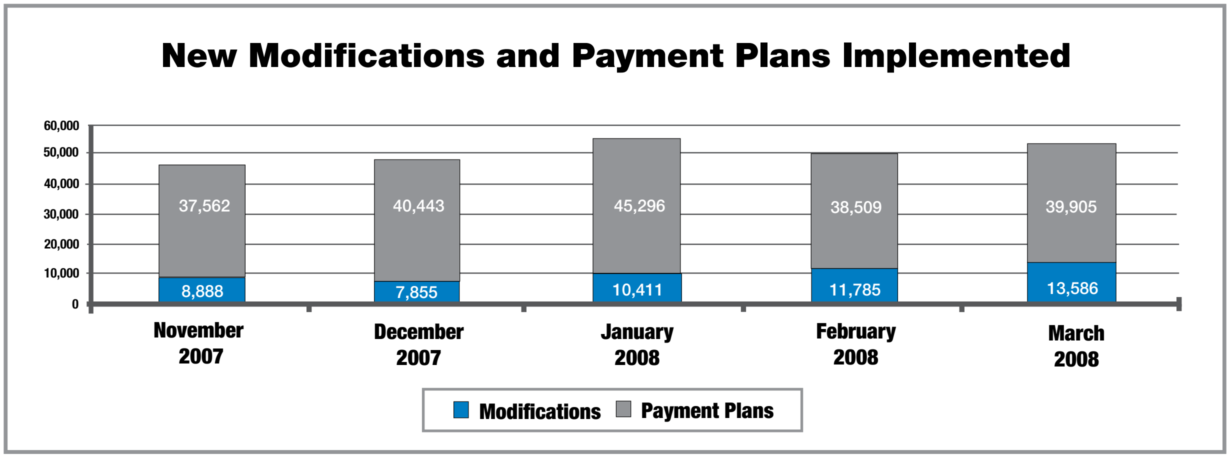


New Loan Modifications and Payment Plans Implemented

The pace of new loss mitigation actions generally increased from November through March.

While there were substantially more payment plans than loan modifications, the latter increased at a faster rate than payment plans. That is, loan modifications as a percentage of total loss mitigation actions increased from 19 percent in November to more than 25 percent by the end of March.

New Modifications and Payment Plans Implemented [6]	November 2007	December 2007	January 2008	February 2008	March 2008
Modifications	8,888	7,855	10,411	11,785	13,586
Payment Plans	37,562	40,443	45,296	38,509	39,905
Total Loss Mitigation Actions	46,450	48,298	55,707	50,294	53,491



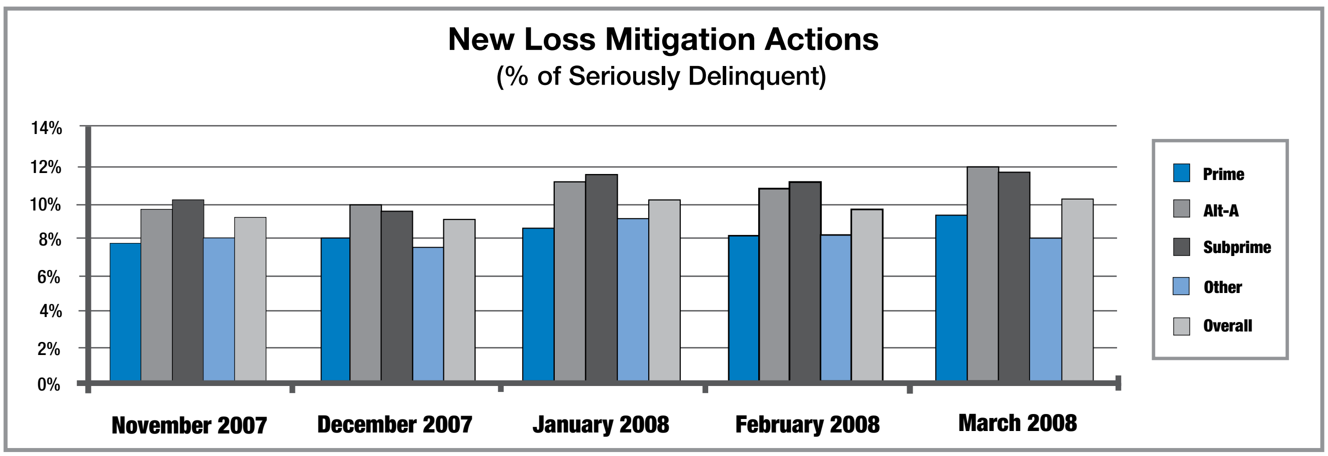
[6] New loss mitigation actions are presented from November through March because the reporting method used to calculate new actions requires data from the previous month-end. Because October was the first month with reported data, new loss mitigation actions could not be determined for that month.

New Loss Mitigation Actions Relative to Seriously Delinquent Mortgages

The following data show new loss mitigation actions for each month as a percentage of seriously delinquent loans in each risk category. For instance, in March, the number of new loss mitigation actions for prime mortgages equaled 9.4 percent of the prime mortgages that were seriously delinquent.

In each month, among seriously delinquent loans, either subprime or Alt-A mortgages had the highest percentage of new loss mitigation actions relative to the other risk segments. Conversely, seriously delinquent prime loans consistently had the lowest relative percentage of new loss mitigation actions.

New Loss Mitigation Actions (% of Seriously Delinquent)	November 2007	December 2007	January 2008	February 2008	March 2008
Composition					
Prime	7.78%	8.03%	8.74%	8.27%	9.40%
Alt-A	9.96%	10.06%	11.14%	10.78%	12.08%
Subprime	10.15%	9.81%	11.45%	11.20%	11.65%
Other	8.01%	7.59%	9.05%	8.32%	8.24%
Overall	9.17%	9.00%	10.31%	9.85%	10.46%



New Loss Mitigation Actions Relative to New Foreclosures

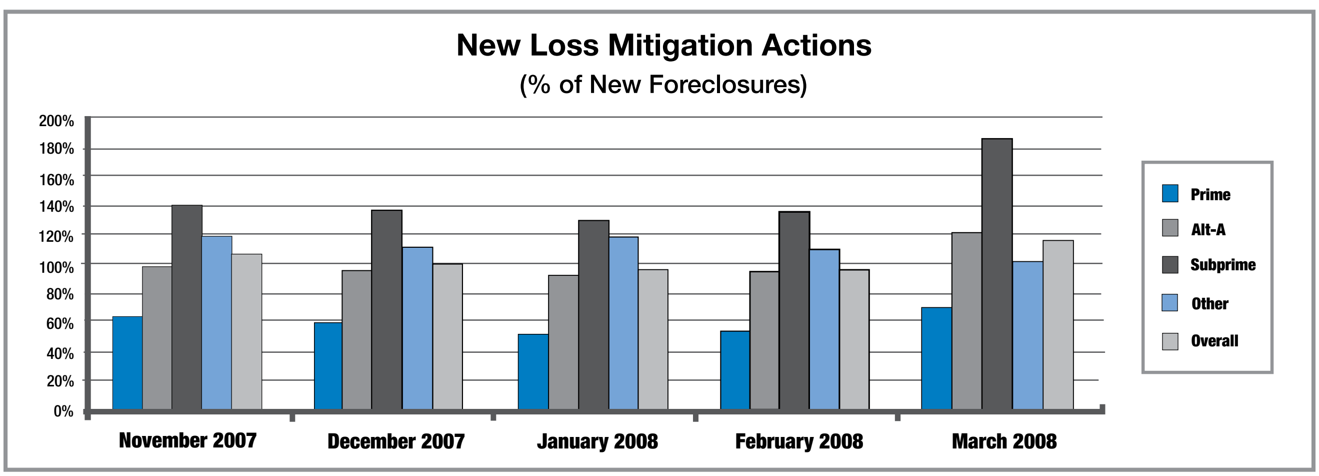
For a given month, "new foreclosures" consisted of all mortgages on which servicers commenced formal foreclosure proceedings (e.g., public notice, judicial filing). New foreclosures often do not result in a foreclosure sale or loss of the borrower's home because banks simultaneously pursue other loss mitigation strategies or borrowers take action to return their mortgages to a current and performing status.

For each month, the following data show new loss mitigation actions as a percentage of new foreclosures. Thus, for a given category like subprime, a percentage exceeding 100 percent means that there were more new loss mitigation actions than new foreclosures.

Subprime mortgages consistently had the highest ratio of new loss mitigation actions to new foreclosures; prime mortgages consistently had the lowest. In fact, the total number of new loss mitigation actions for subprime mortgages consistently exceeded the number of new foreclosures. The opposite was true for prime mortgages, where new foreclosures exceeded new loss mitigation actions each month.

The emphasis on loss mitigation for subprime mortgages corresponds to the nationwide focus on this higher risk sector. Indeed, for such mortgages in March, new loss mitigation actions were nearly twice as frequent as new foreclosures (i.e., 86 percent greater).

New Loss Mitigation Actions (% of New Foreclosures)	November 2007	December 2007	January 2008	February 2008	March 2008
Composition					
Prime	63.06%	58.15%	51.05%	51.91%	67.54%
Alt-A	99.79%	96.65%	91.01%	95.28%	122.48%
Subprime	140.77%	136.24%	129.64%	138.26%	185.68%
Other	118.62%	111.79%	118.73%	110.23%	102.26%
Overall	107.52%	100.77%	95.78%	97.38%	117.06%

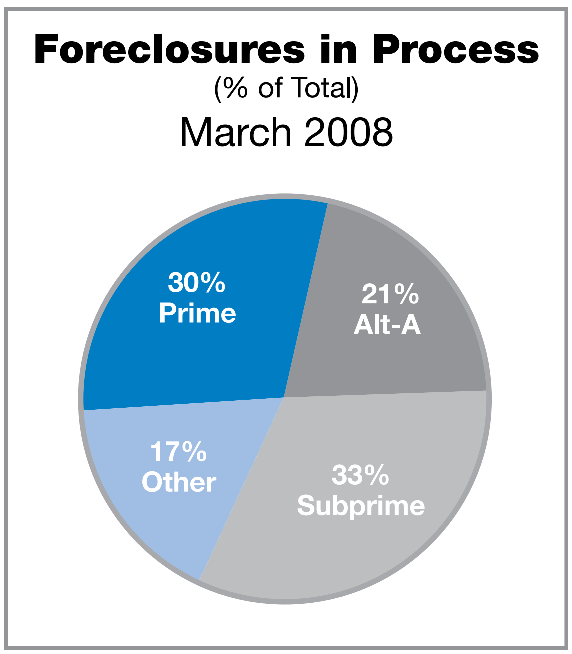


Total End-of-Month Foreclosures in Process

Foreclosures in process totaled 283,988 at the end of March. Subprime mortgages comprised almost 33 percent of total foreclosures in process, while representing less than 9 percent of the total number of mortgages.

Conversely, prime mortgages comprised 30 percent of all foreclosures, while representing 62 percent of the total servicing portfolio.

Total Foreclosures in Process	March 2008		
Total	283,988		
Composition	By Group	% of Total Foreclosures in Process	% of Total Servicing Portfolio
Prime	84,559	30%	62%
Alt-A	59,160	21%	9%
Subprime	93,159	33%	9%
Other	47,110	17%	20%



Numbers of New Foreclosures

New foreclosures ranged from a low of 43,201 in November to a high of 58,163 in January.

The total decreased in the past two months. By the end of March, new foreclosures numbered 45,696, down more than 21 percent from January's high and down about 4.5 percent from October.

Sixty-two percent of all mortgages in the total portfolio were prime mortgages; so it is not surprising that in February and March, prime mortgages saw more new foreclosures than the other categories.

Subprime mortgages, which constituted just 9 percent of the total portfolio, had a disproportionately large share of new foreclosures, leading that category in four of the six months reported.

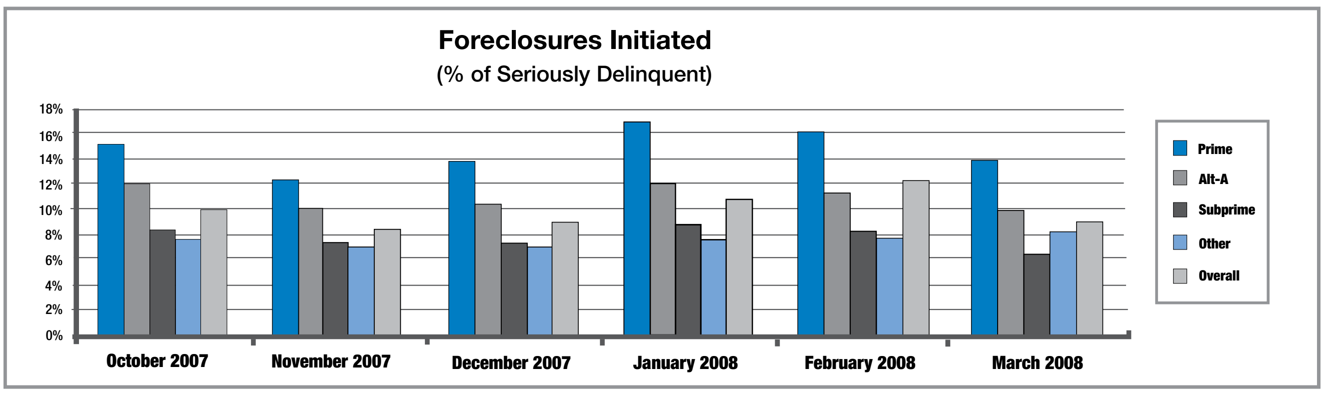
Newly Initiated Foreclosures	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
Composition						
Prime	12,838	11,387	13,982	17,808	16,258	14,894
Alt-A	10,267	9,017	10,078	12,020	10,476	9,160
Subprime	15,998	14,578	15,322	18,646	15,744	12,084
Other	8,733	8,219	8,546	9,689	9,167	9,558
Overall	47,836	43,201	47,928	58,163	51,645	45,696

New Foreclosures Relative to Seriously Delinquent Mortgages

New foreclosures as a percentage of seriously delinquent mortgages varied from a low of 8.53 percent in November to a high of 10.76 percent in January.

The ratio was consistently highest for prime mortgages and consistently lowest for subprime mortgages. The lower ratio for subprime borrowers corresponds with the nationwide emphasis on loss mitigation and foreclosure prevention for these higher risk borrowers.

Foreclosures Initiated (% of Seriously Delinquent)	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
Composition						
Prime	15.16%	12.33%	13.82%	17.12%	15.93%	13.92%
Alt-A	12.02%	9.98%	10.41%	12.25%	11.31%	9.86%
Subprime	8.24%	7.21%	7.20%	8.83%	8.10%	6.27%
Other	7.36%	6.75%	6.79%	7.62%	7.55%	8.06%
Overall	9.91%	8.53%	8.93%	10.76%	10.12%	8.94%



Appendix A – Loan Modifications

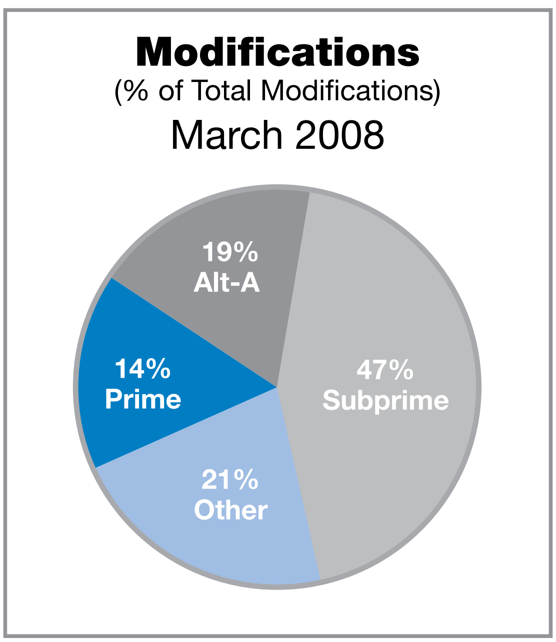
Overview

Loan modifications are defined as mortgages for which terms of the loan were contractually changed.

Loan modifications were predominantly offered on subprime mortgages. Although subprime mortgages constituted less than 9 percent of the total portfolio, modifications of subprime mortgages comprised nearly 50 percent of all modified loans.

Conversely, prime mortgages, which constituted over 62 percent of the total portfolio, comprised only 14 percent of all modified mortgages.

Loan Modification Actions	March 2008	
Total Loan Modifications	30,906	
Composition	**By Group**	**% of Total Modified Loans**
Prime	4,174	14%
Alt-A	5,905	19%
Subprime	14,420	47%
Other	6,407	21%



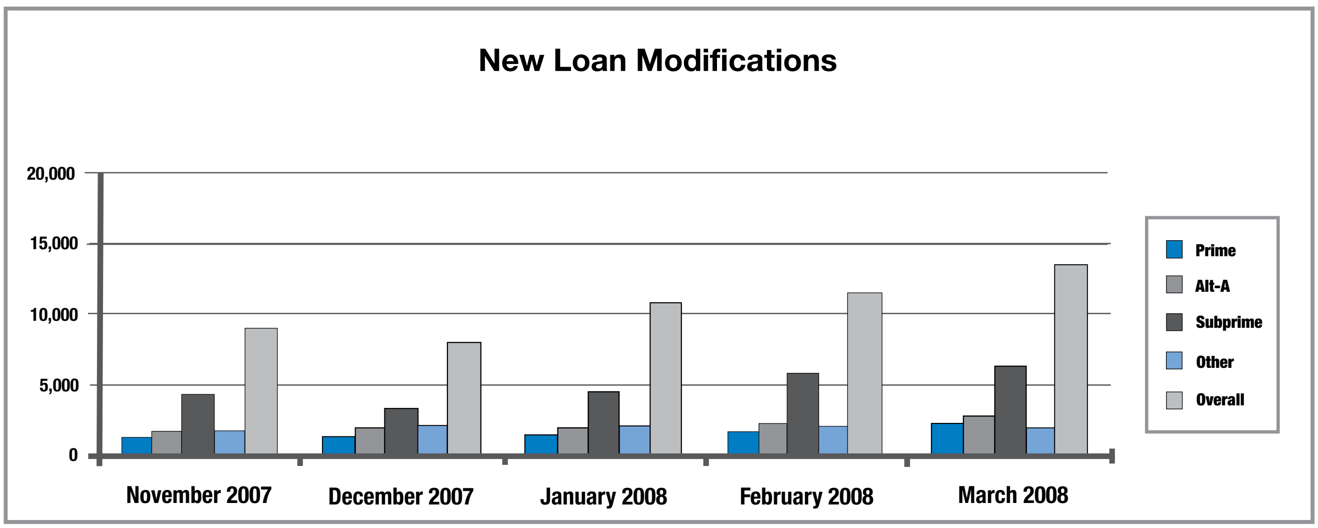
New Loan Modifications

The number of new loan modifications decreased from November to December, then increased steadily from December through March.

The largest number of new loan modifications each month was in subprime mortgages, with more than twice that of any other category.

Prime mortgages consistently had the lowest number of new loan modifications among the defined loan categories.

New Loan Modifications Composition	November 2007	December 2007	January 2008	February 2008	March 2008
Prime	1,331	1,157	1,493	1,635	2,397
Alt-A	1,700	1,492	1,997	2,274	2,873
Subprime	4,125	3,683	4,956	5,655	6,297
Other	1,732	1,523	1,965	2,221	2,019
Overall	8,888	7,855	10,411	11,785	13,586



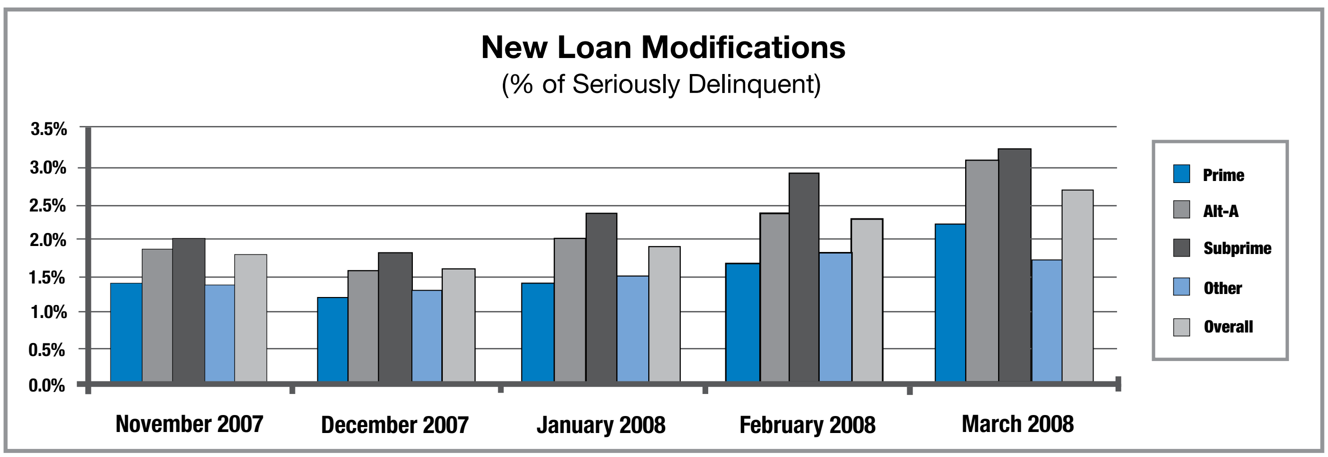
New Loan Modifications Relative to Seriously Delinquent Mortgages

Over the full reporting period, there was an increase in overall new loan modifications as a percentage of seriously delinquent loans.

While the ratio declined in every category from November to December, it thereafter increased in every category in each succeeding month.

The largest percentages of new loan modifications relative to seriously delinquent loans were in the highest risk segments of the portfolio – subprime and Alt-A.

New Loan Modifications (% of Seriously Delinquent)	November 2007	December 2007	January 2008	February 2008	March 2008
Composition					
Prime	1.44%	1.14%	1.44%	1.60%	2.24%
Alt-A	1.88%	1.54%	2.03%	2.46%	3.09%
Subprime	2.04%	1.73%	2.35%	2.91%	3.27%
Other	1.42%	1.21%	1.55%	1.83%	1.70%
Overall	1.75%	1.46%	1.93%	2.31%	2.66%

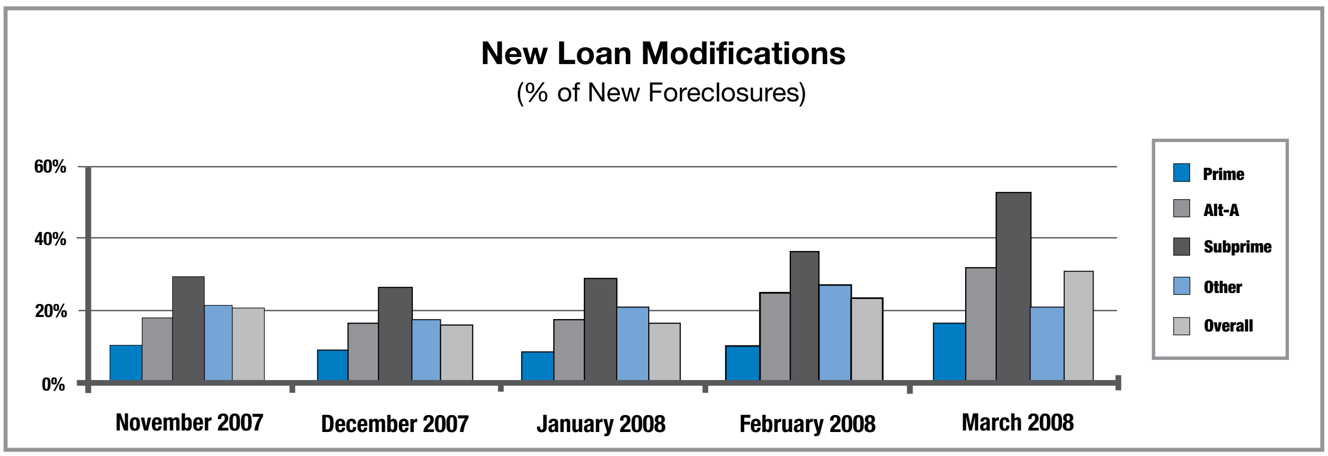


New Loan Modifications Relative to New Foreclosures

New loan modifications as a percentage of new foreclosures increased in all categories between November and March.

The ratio was also higher the greater the risk of the loan category. Prime mortgages received the fewest loan modifications relative to new foreclosure actions. Conversely, subprime mortgages had the highest ratios, and in March, they had just over half as many new loan modifications as new foreclosures.

New Loan Modifications (% of New Foreclosures)	November 2007	December 2007	January 2008	February 2008	March 2008
Composition					
Prime	11.69%	8.27%	8.38%	10.06%	16.09%
Alt-A	18.85%	14.80%	16.61%	21.71%	31.36%
Subprime	28.30%	24.04%	26.58%	35.92%	52.11%
Other	21.07%	17.82%	20.28%	24.23%	21.12%
Overall	20.57%	16.39%	17.90%	22.82%	29.73%



Appendix B – Payment Plans

Overview

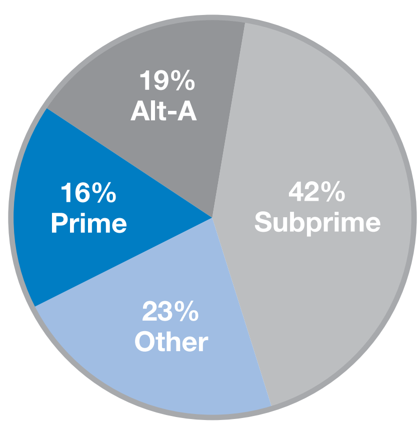
Payment plans included those mortgages where the servicer and a borrower have agreed to a short-to-medium-term change in scheduled terms and payments in order to return a mortgage to a current and performing status.

At the end of March, 42 percent of all payment plans were implemented for subprime mortgages, even though such loans comprised less than 9 percent of the total portfolio.

In contrast, prime mortgages accounted for only 16 percent of payment plans, while comprising more than 62 percent of the total portfolio.

Payment Plans	March 2008	
Total Payment Plans	135,973	
Composition	**By Group**	**% of Total Payment Plans**
Prime	21,091	16%
Alt-A	26,096	19%
Subprime	57,262	42%
Other	31,524	23%

Payment Plans
(% of Total)
March 2008

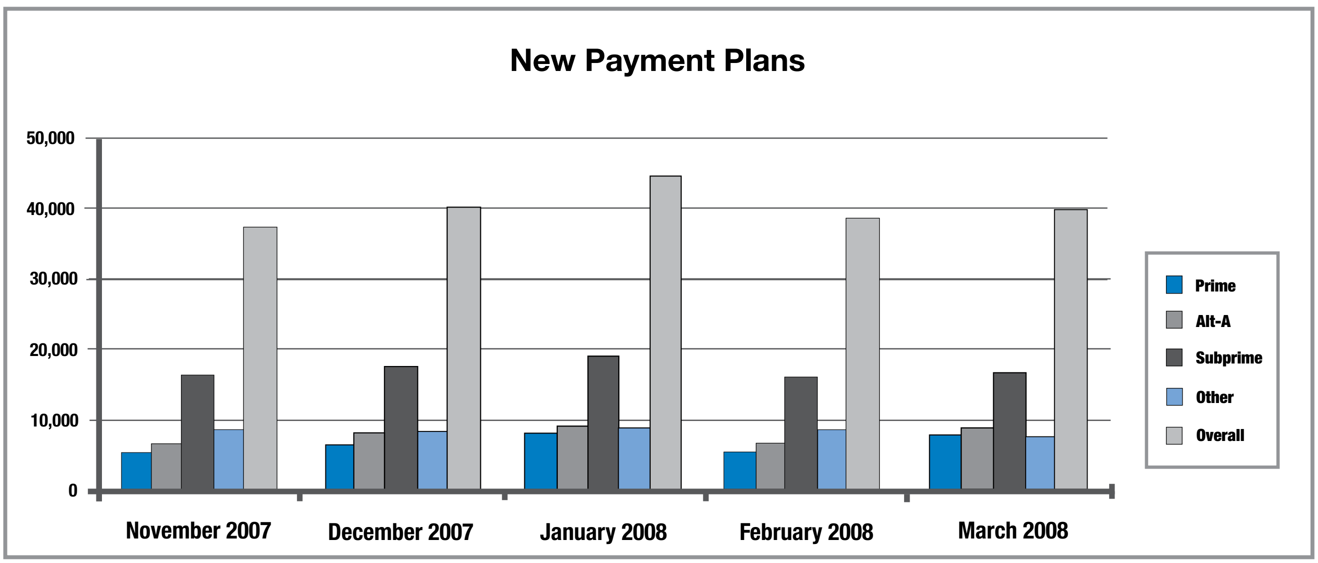


New Payment Plans

New payment plans declined in February after consistently increasing over the prior three months but increased again in March.

In each month, subprime mortgages received the largest number of new payment plans, with nearly twice as many in March as any other category of loans.

New Payment Plans	November 2007	December 2007	January 2008	February 2008	March 2008
Composition					
Prime	5,850	6,973	7,598	6,805	7,663
Alt-A	7,298	8,248	8,942	7,708	8,346
Subprime	16,397	17,191	19,217	16,112	16,141
Other	8,017	8,031	9,539	7,884	7,755
Overall	37,562	40,443	45,296	38,509	39,905

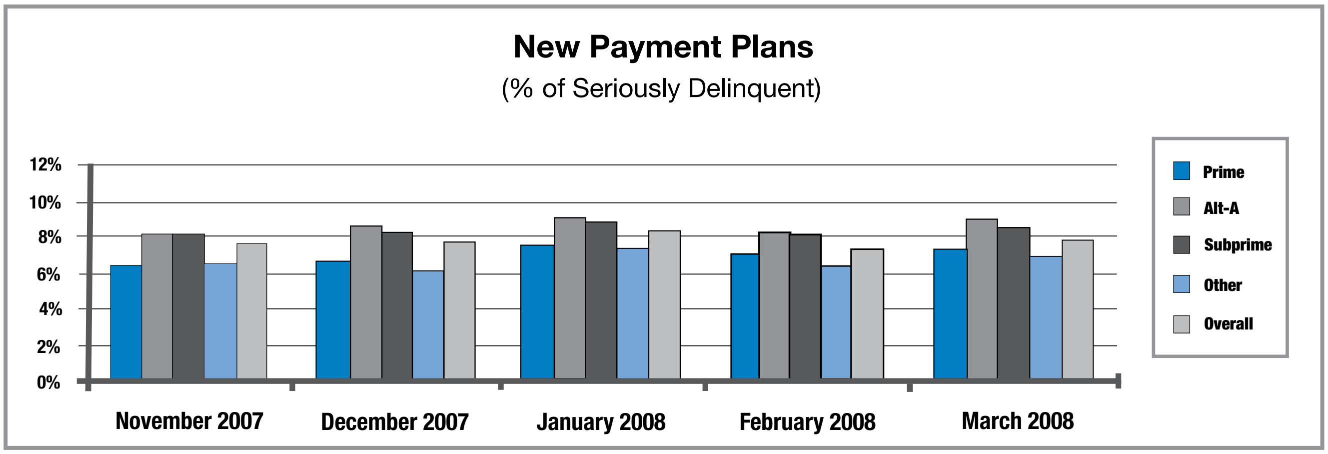


New Payment Plans Relative to Seriously Delinquent Mortgages

Overall, new payment plans as a percentage of seriously delinquent loans varied from a low in November of 7.42 percent to a high of 8.38 percent in January.

In March, 7.81 percent of seriously delinquent loans received payment plans, up slightly from the beginning of the reporting period.

New Payment Plans (% of Seriously Delinquent)	November 2007	December 2007	January 2008	February 2008	March 2008
Composition					
Prime	6.34%	6.89%	7.31%	6.67%	7.16%
Alt-A	8.08%	8.52%	9.11%	8.32%	8.98%
Subprime	8.11%	8.08%	9.10%	8.29%	8.38%
Other	6.59%	6.38%	7.50%	6.49%	6.54%
Overall	7.42%	7.54%	8.38%	7.54%	7.81%

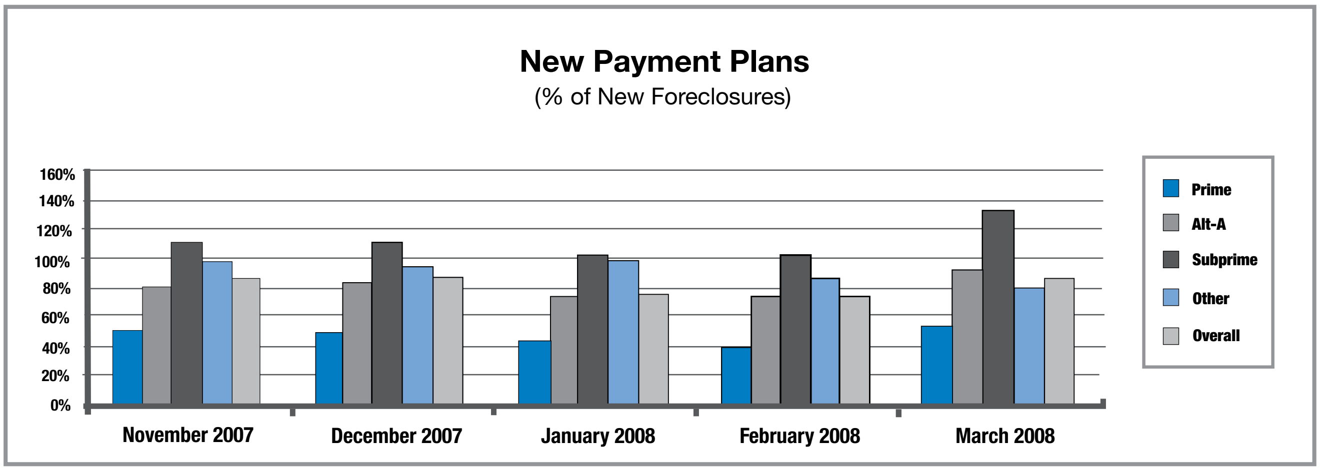


New Payment Plans Relative to New Foreclosures

From November through February, new payment plans as a percentage of new foreclosures gradually declined across all portfolio risk segments as new foreclosure actions increased at a faster pace. There was, however, a significant increase in March, where new payment plans constituted 87.33 percent of new foreclosures.

Subprime mortgages had the highest ratio of new payment plans to new foreclosures. In March, such loans had over 33 percent more payment plans than new foreclosures.

New Payment Plans (% of New Foreclosures)	November 2007	December 2007	January 2008	February 2008	March 2008
Composition					
Prime	51.37%	49.87%	42.67%	41.86%	51.45%
Alt-A	80.94%	81.84%	74.39%	73.58%	91.11%
Subprime	112.48%	112.20%	103.06%	102.34%	133.57%
Other	97.54%	93.97%	98.45%	86.00%	81.14%
Overall	86.95%	84.38%	77.88%	74.56%	87.33%



Attachment 2:

Remarks by John C. Dugan, Comptroller of the Currency at American Securitization Forum - June 11, 2008

NEW COMPREHENSIVE OCC REPORT ON MORTGAGE PERFORMANCE

REMARKS

by

JOHN C. DUGAN
COMPTROLLER OF THE CURRENCY

before the

AMERICAN SECURITIZATION FORUM

June 11, 2008

It's a pleasure to be here with all of you this morning. The American Securitization Forum brings together key participants in securitization markets, which have financed an extraordinary amount of economic activity over the last several decades. Many of the roughly 1,700 national banks that the OCC supervises play outsized roles in these markets, as loan originators, servicers, structurers, trustees, dealers, distributors, and investors – and that's not an exhaustive list. They have been deeply involved in the growth of securitization, and nowhere has that been more apparent than in the phenomenal growth of residential mortgage securitization markets.

For example, in 2007, national banks originated about 45 percent of all home mortgages in the United States. They also act as servicers for about 44 percent of all U.S. mortgages. About 90 percent of the mortgages they service are held by third parties via securitization by Fannie Mae, Freddie Mac, and other financial institutions. National banks also hold a substantial amount of both mortgage securities and first mortgages on their balance sheets, which together total over $1.7 trillion. In short, over the last 20 years, national banks have become much more centrally involved in the mortgage business, and as a result, the OCC has become much more centrally involved in the supervision of these activities.

Needless to say, against this backdrop, the mortgage market disruptions of the last year have been exceptionally challenging for both national banks and their supervisor. Fortunately, the banks we supervise were well capitalized going into this turmoil. In addition, their diversified businesses and strong deposit franchises have been real sources of strength, and they have benefited from the fact that they hold and service a disproportionately small share of subprime mortgages – only about 10 percent. Still, several national banks have sustained exceptionally large losses from mortgage-related assets – which they have offset by successfully raising capital – and mortgage exposure and mortgage involvement remain substantial across the national banking system.

The Need for Better Metrics

As mortgage delinquencies and foreclosures have climbed, the OCC has intensified our already heavy focus on mortgage supervision. In this context, we began to realize that the substantial amount of mortgage data we had previously collected from our banks was not giving us a sufficiently granular look at declining mortgage performance. At the same time, given their leading role as mortgage servicers, national banks began to receive numerous and differing requests for data about mortgage performance and mortgage modifications from organizations around the country, including members of Congress, news organizations, and state and local governments.

We also came to realize that there were some significant limitations with the mortgage performance data reported by other organizations and trade associations. These other sources often used differing definitions of “prime,” “subprime,” “Alt-A,” and “delinquency.” This lack of standardized definitions made comparisons difficult across different studies. The same was true with respect to the different ways in which both institutions and data collectors described "mortgage mitigations," with some counting any contact with a borrower about payment reduction or relief as a mitigation in process, while others did not count mitigation efforts until a particular mitigation plan had been formally implemented. And virtually none of the data had been subjected to a rigorous process to check for consistency and completeness – they were typically responses to surveys that produced aggregate, unverified results from individual firms. That lack of loan-level validation raised real questions about the precision of the data, at least for our supervisory purposes.

In this context, the OCC realized we had a real opportunity to improve the way that mortgage performance could be measured, producing better information for our particular supervisory purposes, and better information for policymakers, other regulators, market participants, and the public at large. That is, we realized that a relatively small number of our largest national banks – nine, to be exact – conducted over 90 percent of servicing activities engaged in by our entire national banking population. These banks service about 40 percent of all U.S. home mortgages outstanding. They are large and have in place the kind of information systems that allow them to produce significant amounts of data that can be tailored to particular requests. And perhaps most important, we as their primary federal regulator could require them to take several important steps: report to us loan-level data on roughly 23 million loans for homes in every state in the country, totaling $3.8 trillion; report such data in a common format, using standardized definitions; and validate the data submitted.

So, we seized this opportunity. The participating banks immediately understood both our needs and the value of producing more precise information using common metrics and definitions. They have worked closely with us and the third-party data aggregator we hired to begin reporting the extraordinary volume of information we have requested in the format we have established. And the aggregator has worked closely with us to translate key parts of that data into a report that can be issued to the public.

OCC's First Mortgage Metrics Report

Today, I am pleased to unveil the first OCC Mortgage Metrics Report, which covers loan-level mortgage information for the last two calendar quarters, from October 1, 2007, to March 31, 2008. In the future, we plan to issue a Mortgage Metrics Report each quarter.

Before I summarize key results from this first report, let me explain how it differs from other reports and data collection efforts, and how it addresses concerns that I previously identified.

First, OCC Mortgage Metrics are comprehensive. They reflect activities of many of the industry's largest mortgage servicers – not just holders of the mortgages. In addition, the metrics capture information on <u>all</u> mortgages, not just subprime.

Second, the report is based on "loan-level" data. In contrast with other reports that rely on surveys of lenders or interpretations of data, we collected 64 specific pieces of information on more than 23 million loans for each month of the reporting period. These include such data elements as credit score, interest rate, unpaid balance, property value, and payment history. This loan-level data can be analyzed more rigorously and in a wider variety of ways than information obtained through surveys.

Third, our Mortgage Metrics use terms and definitions that are standardized. Today, if you simply ask lenders how many subprime loans they have, you'll get answers based on different definitions, because certain loans in one lender's subprime book may be another bank's

Alt-A. Indeed, at the large national banks we supervise, the dividing line for prime, subprime, and Alt-A loans can vary widely across a range of credit scores and other characteristics of the loan and borrower. Our standardized Mortgage Metrics eliminate these disparities.

For example, the three categories of creditworthiness in the report – prime, Alt-A, and subprime – are defined using FICO credit scores at the time of loan origination. We use the following breakpoints that have often, but not always, been used by industry analysts: prime – 660 and above; Alt-A – 620 to 659; and subprime – below 620. Some may quibble with this particular segmentation, but the point is that they are the same quantifiable criteria used in every case, and as a result, "subprime" will mean the same thing for each servicer and each loan.

The metrics also establish a common – and conservative – definition for "newly initiated" loss mitigation actions. A payment plan or loan modification won't count unless the servicer and borrower have entered into an agreement. This results in fewer loss mitigation actions reported, but a better picture, we believe, of the actual occurrence of such actions.

Now, let me hasten to add that our new OCC metrics are not perfect. There has definitely been some "noise," especially in this large initial data collection looking backward for six months. For example, 20 percent of the loans fell into an "other" category, which meant that a credit score was unavailable. The inability to obtain such scores typically reflects problems with the flow of information through the systems that produce the data – purchased loan portfolios, for example, that came with databases that can't easily be read by the servicer's computer system. Now that the new data collection system has been established, we expect this problem to decline on a "go forward" basis as servicers realize that they will need this data whenever they acquire servicing portfolios in the future.

In addition to the “noise” in the overall data set, we need to be cautious about identifying trends in a six-month sample. Month-to-month data may be quite volatile and subject to fairly strong seasonal effects that can only be discerned from a longer time series that permits year-to-year comparisons. So observed changes month to month should be taken with a grain of salt.

Before turning to key results of the report, let me provide another important caveat: some of the conclusions we report here may seem different from conclusions that have been widely reported elsewhere – but there are good reasons for these differences. As I said previously, we believe the data is more precise than data reported in some other studies, and it reflects a huge proportion of the mortgages outstanding in the country. It obviously does not capture all mortgages, however, and it is not a statistically random sample.

The particular population of mortgages held and serviced by these nine national banks has some different characteristics than the overall population of mortgages. This difference can cause different results. For example, the proportion of subprime loans in the pool is smaller than in the general population – national banks service only about 25 percent of all subprime mortgages, but they service 40 percent of all mortgages outstanding. Similarly, the prime mortgages serviced by national banks include a disproportionately high number of conforming loans sold to the GSEs - about 66 percent, compared to 43 percent for the industry overall.

Finally, the standardized definitions produce different results. Other studies that don’t break out Alt-A separately will lump these loans in either the prime category – thereby elevating delinquency and foreclosure ratios for those loans – or the subprime category – where it will have the opposite effect.

In short, while there are good reasons for the differences, the summary data from this first Mortgage Metrics report in some cases vary significantly from comparable categories recently reported in other surveys.

Significant Findings

So, with that quite long wind-up, what does this first report tell us? Here are six key findings.

First, one somewhat surprising finding is that the overall mortgage servicing portfolio of the nine banks reflects credit quality that is relatively satisfactory and relatively stable. For example, the number of current and performing loans remained at about 94 percent over the entire six-month period. Serious delinquencies, which we define as bankrupt borrowers who are 30 days delinquent and all delinquencies greater than 60 days, increased just one tenth of a percentage point during the period, from 2.1 percent to about 2.2 percent. This overall quality and stability likely reflects the differences in the national bank servicing portfolio that I described above.

Second: Among the three segments of loans, we found, not surprisingly, that the majority of serious delinquencies was concentrated in the highest risk segment – subprime mortgages. Though these mortgages constituted less than 9 percent of the total portfolio, they sustained twice as many delinquencies as either prime or Alt-A mortgages.

The third finding concerns loss mitigation actions, which for purposes of this report include only loan modifications and payment plans. Consistent with other reports, payment plans predominated, outnumbering loan modifications in March by more than four to one. But loan modifications increased at a much faster rate during the period.

Servicers also indicated they are working with Fannie Mae, Freddie Mac, the Federal Housing Administration, and private investors to develop and offer new loss mitigation options. In fact, mortgage servicers reported several alternative loss mitigation actions not included in this analysis that we plan to include in future reports, including HomeSaver Advance, FHASecure, partial claims, new subsidy programs, and refinances with principal forgiveness. These actions provide banks additional alternatives to mitigate their risks and work with troubled borrowers.

Fourth: Although subprime mortgages made up less than 9 percent of the portfolio, they accounted for 43 percent of all loss mitigation actions at the end of March. Indeed, for these borrowers in that month, total loss mitigation actions exceeded newly initiated foreclosure proceedings by a margin of nearly 2 to 1.

Fifth: As in other studies, our report confirms that foreclosures in process are plainly on the rise, with the total number increasing steadily and significantly through the reporting period from 0.9 percent of the portfolio to 1.23 percent. Interestingly, the number of new foreclosures has been quite variable. While one month does not make a trend, new foreclosures in March declined to 45,696, down 21 percent from January’s high and down about 4.5 percent from the start of the reporting period last October. Similarly, the ratio of new foreclosures to serious delinquencies was lower in March than in either January or October.

Sixth and finally, the data also show that seriously delinquent subprime loans had fewer new foreclosure starts than seriously delinquent prime or Alt-A mortgages. Why would troubled prime loans have more foreclosure starts than troubled subprime loans? One possible explanation is that the national emphasis on developing alternatives and assistance programs has been targeted to subprime borrowers, allowing a higher percentage of these borrowers to stave off foreclosure.

Value of Mortgage Metrics

These are just a few of the key findings from the first report, which will be available on our Web site. I urge you to review it yourselves for other information that you may find useful. That's exactly what we are doing, both with this and the other data we have collected, since we believe it will serve a variety of useful purposes.

For example, the data will help us develop supervision policy and strategies. Examiners will be able to use the information to identify anomalies; compare national bank trends to the industry; evaluate asset quality and loan-loss reserve needs; and evaluate the effectiveness of loss mitigation actions. Over time, it will allow us to drill down to look at trends in performance based on origination channels or key credit characteristics. This in turn will help us more fully assess losses, loan modifications, payment plans, and recovery efforts.

In the future, I hope that the standard definitions and methodology used in this report will be applied more broadly to an even larger proportion of the pool of outstanding mortgages. The more we can use standardized metrics across the board, the better we can measure, monitor, and manage mortgage risk.

With this thought very much in mind, we have shared these standard definitions with the Office of Thrift Supervision, which has also begun requiring the thrifts it supervises to make similar monthly reports. If we could combine our results in future reports, the coverage would extend to 60 percent of all outstanding mortgages. We would also be interested in sharing the definitions and methodologies with other interested data collectors, like the state task force that is gathering data from a range of providers.

Going forward, we think it makes sense to have a national standard for mortgage reporting. The American Securitization Forum is in a position to help advance this process, and I would encourage you to join us in working toward a common and uniform mortgage reporting regime in the U.S.

While we think these metrics are useful, we know they are not perfect. We welcome input by other regulators and industry participants to refine and improve them going forward. In the end, we will all benefit from having more accurate and standardized mortgage metrics to make better business and policy decisions, and to avoid needless foreclosures.

Thank you very much.