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TESTIMONY OF

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BEFORE THE

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

OF THE

U.S. HOUSE OF REPRESENTATIVES

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Statement Required by 12 U.S.C. § 250:

The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

INTRODUCTION

Chairwoman Waters, Ranking Member Capito, and members of the Subcommittee, on behalf of the Office of the Comptroller of the Currency (OCC), I thank you for holding this hearing and inviting the OCC to testify on this important topic. As Deputy Comptroller for Large Bank Supervision, I am responsible for large bank data and analytics and have been charged with developing more comprehensive and timely mortgage metrics to support the OCC's supervision of large bank mortgage banking operations.

The OCC has always encouraged banks to work with troubled borrowers to prevent avoidable foreclosures and meet the needs of creditworthy borrowers as reiterated in news releases over the past few years.[1] Since then, the OCC has joined other regulators on numerous occasions to urge banks to continue to implement effective programs to prevent avoidable foreclosures and minimize potential losses. Today, the number of foreclosures facing this country and the underlying problems facing the mortgage industry remain a significant challenge for homeowners, their communities, the banks that service those loans, state and federal financial regulators, and policy makers. Clearly, more must be done to address this challenge, and the OCC supports the Administration's Homeowner Affordability and Stability Plan, which takes significant steps toward addressing these issues.

As the regulators of the largest mortgage servicers, the OCC and the Office of Thrift Supervision (OTS) also are uniquely positioned to provide key information about the performance of mortgages and loan modifications, about trends in foreclosures, and about approaches to loss mitigation activities undertaken by national banks and federally regulated

[1] See Interagency News Release, "Federal Financial Regulatory Agencies Propose Guidance on Nontraditional Mortgage Products," December 20, 2005.

thrifts. This information, in turn, helps to encourage and incent modifications that are affordable and sustainable.

Last year, we established a process for collecting and reporting on mortgage performance data and partnered with the OTS to apply this process, based on loan-level data and using standardized definitions and data elements, to report on some 60 percent of all first-lien mortgages in the country. This information is validated, and then communicated to the public in our quarterly *OCC and OTS Mortgage Metrics Report.*

We have made much progress in the last year to develop and refine our data collection, validation, and reporting efforts, and our work in this area continues to evolve in response to supervisory needs and changing market trends. We currently are working to provide additional data at a more granular level on the affordability of loan modifications as well as the types of loan modifications being implemented by the largest mortgage servicers. We continue to improve these efforts and to enhance the information we obtain, and we look forward to making the additional information available in future issues of our *Report*.

This written statement addresses specific issues raised in your Letter dated February 17, 2009, by providing details of: (1) our efforts to improve the understanding of loan modification performance through our mortgage metrics data collection effort; (2) findings from our most recent *Mortgage Metrics Report* including what we have learned about loan modifications; (3) current challenges facing effective loan modifications; and (4) our ongoing efforts to encourage responsible lending, foreclosure prevention, and appropriate loss mitigation activities, including loan modifications.

I. BACKGROUND AND EVOLUTION OF THE OCC AND OTS MORTGAGE METRICS EFFORTS

As part of the OCC's ongoing efforts to address mortgage delinquencies and options for achieving sustainable and affordable mortgage loan modifications, the OCC recognized the need for more comprehensive and timely mortgage data to better understand, assess, and monitor loan performance, loss mitigation activities, and foreclosure trends within the national banking system. In beginning to undertake this large data collection effort in late 2007, we decided to collect data at the loan level from the largest federally regulated mortgage servicers using standard data elements and definitions. We determined basic definitions and standard elements so the information from all the servicers would be comparable—so we could make apple-to-apples comparisons. We also shared our data elements and definitions with the HopeNow Alliance, Treasury, and other federal and state regulators. We chose to employ widely used metrics for terms like "prime," "Alt-A," and "subprime,"[2] as well as "payment plan" and "modification." We also applied a standard approach to reporting loan delinquencies and foreclosure actions.

Our use of standard metrics, consistent definitions, and reporting approaches ensures that mortgage loan performance and loss mitigation activities, including loan modifications, are reported in a consistent and uniform manner by all participating national bank mortgage servicers. For example, we found some servicers count 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. Standardized definitions make comparisons across different servicers easier and support the use of this data for our supervisory purposes.

[2] See "Definitions and Methods" presented in the *OCC Mortgage Metrics Report*, October 2007-March 2008.

Collecting data at the loan level has the advantage of allowing us to drill down to individual loans and source systems. In addition, the OCC and OTS subject monthly data collections to a standardized data validation process and subjective review by mortgage banking experts. This approach to validation requires submitted data to pass our validation checks and controls before it can be accepted into our database for use. In some cases, servicers are required to resubmit their monthly data in order to meet our validation standards.

On February 29, 2008, the Comptroller issued a letter to the nine largest national bank mortgage servicers requiring them to submit data on each of the first-lien mortgages they service for others, service for themselves, and hold on their balance sheet according to our standard definitions. These large mortgage servicers also were required to report this data on a monthly basis within 30 days of month end, using the OCC data schedule.[3]

The scope of the data collection was unprecedented, and the effort to validate the data extensive. The initial data request included 64 data elements on each of the 23 million loans held or serviced by national banks for each month from October 2007 through March 2008. The results of this first data call were published in June 2008 in the *OCC Mortgage Metrics Report*, October 2007-March 2008.[4] The *Report* presented new loan-level data on the performance of first-lien mortgages, trends in foreclosure, and banks' loss mitigation efforts. However, we recognized limitations to this initial *Report* and saw opportunities to improve reporting.

Even before completing this first *Report*, the OCC began to work with the OTS[5] to issue a joint *Report* the following quarter. By combining our efforts, the joint *Report* by the OCC and

[3] See OCC News Release, "OCC to Require Data from Large Bank Mortgage Servicers," February 29, 2008, and Letter to National Bank Mortgage Servicers, February 29, 2008.
[4] See OCC Mortgage Metrics Report, October 2007-March 2008, released on June 11, 2008.
[5] The OTS separately issued its first report on mortgage metrics on July 3, 2008.

OTS covers more than 60 percent of the first-lien mortgages in the industry, or roughly 35 million loans with principal balances exceeding $6 trillion.

The OCC and OTS worked to further refine data definitions and elements and to ensure data collection and validation efforts produced comparable data that could be reported in aggregate form. The OCC and OTS released their first joint *Report* on mortgage metrics on September 12, 2008.[6] That *Report* followed the same format and included much the same data as the previous reports but on a larger scale. The *Report* showed the continued rise in mortgage delinquencies, the shift in emphasis from payment plans to loan modifications, and the use of loss mitigation more frequently than initiating new foreclosure proceedings.[7] The next step for the agencies was to expand the data to answer questions about the performance of loan modifications.

In December 2008, the OCC and OTS released their second joint *Report* on mortgage metrics covering the first three quarters of 2008.[8] This *Report* presented the first available information on the performance of mortgages following modification based on loan-level data covering a broad portion of the mortgage industry.[9] We found that an unexpectedly high percentage of loan modifications made in the first and second quarters of 2008 resulted in re-defaults. This could be the product of several factors. Early loan modifications may not have been structured in a manner that resulted in affordable and sustainable mortgage payments. Other factors, such as excessively high debt burden, negative equity position, and increasing levels of unemployment and underemployment, also may be contributing to high re-default rates.

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[6] See OCC and OTS News Release, "Agencies Release Joint Mortgage Metrics Report For the Second Quarter of 2008," September 12, 2008.
[7] See, the *OCC and OTS Mortgage Metrics Report*, January-June 2008.
[8] See OCC and OTS News Release, "Agencies Release Joint Mortgage Metrics Report For the Third Quarter of 2008," December 22, 2008.
[9] See the *OCC and OTS Mortgage Metrics Report*, Third Quarter 2008, December 22, 2008.

Based on the findings of our December *Report*, the OCC and OTS decided to expand the scope of the mortgage performance data gathered from national banks and thrifts to examine more closely the affordability and sustainability of loan modifications to be released in the next *Report* due out in March.

The additional data we are obtaining will show how modifications changed the total amount of borrowers' monthly principal and interest payments for loans modified during 2008. The next edition of the agencies' joint *Mortgage Metrics Report*, scheduled for release next month, will present information for categories of loan modifications that:

- Increased borrowers' monthly principal and interest payments.
- Brought no change to payments.
- Reduced payments by 10 percent or less.
- Reduced payments by more than 10 percent.

Importantly, for loans modified in the first and second quarters of 2008, the *Report* will also show the percentage of modifications in each of the four categories that are 60 or more days past due at six months after modification. This will help gauge how changes in monthly payments resulting from modifications make mortgages more sustainable and help keep borrowers in their homes.

The OCC and OTS announced this effort to expand data collection and reporting on February 13, 2009.[10] At the same time, the agencies released their most current dictionary of definitions and standard elements, expanded from the original 64 elements to 99.[11] This data dictionary was provided to the State Foreclosure Prevention Working Group, the Conference of

[10] See OCC and OTS News Release, "OCC and OTS Expand Data Collection on Mortgage Performance," February 13, 2009.

[11] See OCC/OTS Mortgage Metrics – Loan Level Data Collection: Field Definitions, McDash Analytics, January 7, 2009.

State Bank Supervisors (CSBS),[12] and as part of the OCC and OTS coordinated response to the data request by the Congressional Oversight Panel.[13]

II. FINDINGS FROM MORTGAGE METRICS INITIATIVE TO DATE

In the *OCC and OTS Mortgage Metrics Report*, Third Quarter 2008, the agencies collected data from the nine national banks[14] and the five thrifts[15] with the largest mortgage servicing portfolios. At the end of September 2008, the 34.6 million first-lien mortgage loans serviced by these institutions totaled more than $6.1 trillion in principal balances. The combined servicing portfolio constituted more than 60 percent of all mortgages outstanding in the United States. About 88 percent of the mortgages in the total servicing portfolio were held by third parties as a result of loan sales and securitization by government-sponsored enterprises (GSEs), the originating banks, and other financial institutions. The *Report* presents a number of significant findings about the quality of first-lien mortgages held and serviced by national banks and federally regulated thrifts, foreclosure trends and loss mitigation efforts, the use of loan modifications versus other loss mitigation tactics, and the performance of loans modified in the first and second quarter of 2008.

In brief, the data through the third quarter of 2008 showed that delinquencies, foreclosures in process, completed foreclosures, and other actions leading to home forfeiture all continued to rise, but that newly initiated foreclosures had declined while new payment plans

[12] See OCC and OTS response to letter from State Foreclosure Prevention Working Group, February 13, 2009.
[13] OCC and OTS response to Congressional Oversight Panel request, February 20, 2009.
[14] The nine banks are Bank of America, Citibank, First Horizon, HSBC, JPMorgan Chase, National City, USBank, Wachovia, and Wells Fargo.
[15] The five thrifts are Countrywide, IndyMac, Merrill Lynch, Wachovia FSB, and Washington Mutual. Washington Mutual was acquired by and merged into JPMorgan Chase in September 2008. IndyMac has been operated by the Federal Deposit Insurance Corporation since July 2008. Countrywide has been purchased by Bank of America. Wachovia has been purchased by Wells Fargo.

and modification actions increased. The third quarter data also showed that loan modifications were associated with high levels of re-default.

Key findings included:

- Credit quality declined during the third quarter across all loan categories, continuing the trend reported in the first to the second quarters of 2008. The percentage of current and performing mortgages in the portfolio declined to 91.47 percent at the end of the third quarter from 93.33 percent at the end of the first quarter.[16]

- Early stage delinquencies (30-59 days past due), seriously delinquent mortgages (60 or more days past due plus loans to bankrupt borrowers who are 30 or more days past due), and the number of foreclosures in process increased in the third quarter.

Delinquency and Foreclosure Rates (% of all mortgage loans in the portfolio at the end of each quarter)			
	First Quarter	Second Quarter	Third Quarter
30-59 days delinquent	2.59%	2.85%	3.20%
Seriously delinquent	2.66%	2.94%	3.54%
Foreclosures in process	1.41%	1.59%	1.78%

- The number of loan modifications completed in 2008 steadily increased, and loan modifications surpassed payment plans as the primary loss mitigation tool used by servicers.[17]

Newly Initiated Home Retention Actions			
	First Quarter	Second Quarter	Third Quarter
Loan modifications	72,877	114,439	133,106
Payment plans	136,874	139,186	154,649
Total	209,751	253,625	287,755

[16] As noted in the *OCC and OTS Mortgage Metrics Report*, the portfolio of first-lien mortgages serviced by national banks and thrifts, while large, is unique and not necessarily representative of the total industry. As a result, numbers presented by the OCC and OTS may not track national averages or numbers extrapolated to represent the total industry.

[17] OCC and OTS are currently unable to determine the performance of various types of loan modifications. The agencies are working to expand the data collection effort to include this data in the future.

- Loan modifications completed in first quarter 2008 and second quarter 2008 had high re-default rates at three months after loan modification and re-default rates did not level off over time.

- For loans modified in the first quarter of 2008, more than 37 percent of modified loans were 30 or more days delinquent or in the process of foreclosure after three months. After six months, that re-default rate was more than 55 percent. For loans modified during the second quarter, the three-month 30+ day delinquent re-default rate was more than 40 percent.

Modified Loans 30+ Days Delinquent (30+ Re-default Rate)		
	Three Months After Modification	Six Months After Modification
First quarter 2008 loan modifications	37.44%	55.14%
Second quarter 2008 loan modifications	40.52%	--

- For loans modified in the first quarter, more than 19 percent were 60 or more days delinquent or in process of foreclosure after three months. That rate grew to nearly 37 percent after six months. For loans modified in the second quarter, that re-default rate was more than 21 percent after three months.

Modified Loans 60+ Days Delinquent (60+ Re-default Rate)		
	Three Months After Modification	Six Months After Modification
First quarter 2008 loan modifications	19.18%	36.90%
Second quarter 2008 loan modifications	21.38%	--

- Re-default rates were lower for loans held by the servicing banks and thrifts, compared to loans serviced for others. This may suggest greater flexibility to modify loans in more sustainable ways when loans are held on a servicer's own books than when loans are securitized or otherwise held by third parties. However it may also reflect other factors including stronger underwriting or a deeper relationship between the borrower and the bank.

First Quarter 2008 Loans by Investor		
	Three Months After Modification (30+ Days Delinquent)	Six Months After Modification (30+ Days Delinquent)
On-book portfolio (loans held by servicers)	35.06%	50.86%
FHLMC (Freddie Mac)	39.09%	57.87%
FNMA (Fannie Mae)	38.34%	57.11%
Private Investors	42.28%	60.76%

- The number of completed foreclosures and other home forfeiture actions (short sales and deeds-in-lieu-of-foreclosure) increased by 11 percent from the second to the third quarter.[18] Short sales and deeds-in-lieu-of-foreclosure remained a small fraction of loss mitigation activities. The number of home retention actions—loan modifications and payment plans—was more than twice the number of completed foreclosures and other home forfeiture actions. The number of newly initiated foreclosures fell from 288,689 during the second quarter to 281,298 during the third quarter—a drop of 2.6 percent.

Completed Foreclosures and Other Home Forfeiture Actions			
	First Quarter	Second Quarter	Third Quarter
New short sales	5,834	8,222	13,254
New deed-in-lieu-of-foreclosure actions	1,074	807	843
Completed foreclosures	107,134	118,316	127,738
Total	114,042	127,345	141,835
New home retention actions relative to completed foreclosures and other home forfeiture actions	183.92%	199.16%	202.88%

Additional Information Reported to the Congressional Oversight Panel

[18] Completed foreclosures, short sales, and deed-in-lieu actions require the borrower to give up the home to pay (partially or in whole) the mortgage debt.

The OCC and OTS reported additional information beyond what was presented in the December *Mortgage Metrics Report* in their February 20, 2009, response to a request from the Congressional Oversight Panel. The additional information provided to the Congressional Oversight Panel was based on the same data collected as of September 30, but further detailed the data to show items such as the number of government-insured mortgages, the number of jumbo mortgages, the number of mortgages for 2-4 family residences, the number of owner occupied homes at origination, the total monthly debt-to-income ratio for borrowers, loan-to-value ratios in excess of 90 percent, loans with current negative equity, the type of loan (adjustable rate mortgage, interest only, or negatively amortizing), and differences between loans serviced for others and loans on the banks' books.[19]

Planned Improvements to the Mortgage Metrics Initiative

Our findings reported on data through September 30, 2008, did not yet fully address important questions about loan modification affordability, the types of loan modification actions, or payment sustainability as it relates to affordability. These questions led to our decision that more detailed information was required to enhance our analysis. Since the publication of the latest *Report* in December 2008, we have been working to gather additional details on the types of modifications and changes in monthly principal and interest payments resulting from modifications. On January 7, 2009, we met with the largest mortgage servicers to detail the new reporting requirements. On February 13, 2009, the OCC and OTS announced their efforts to expand the mortgage metrics data collection activities.[20] We plan to present the substantially

[19] OCC and OTS Response to request by Congressional Oversight Panel, February 20, 2009.
[20] See OCC and OTS News Release, "OCC and OTS Expand Data Collection on Mortgage Performance," February 13, 2009.

expanded information on actual changes in monthly principal and interest payments resulting from loan modifications in the next quarterly *Mortgage Metrics Report* due out in March 2009.

To support this effort, the OCC and OTS updated the definitions and the data elements used to collect data from mortgage servicers. We have significantly expanded the number of data elements we are collecting from the servicers to obtain more detailed information on borrowers' monthly principal and interest payments before and after the modification, and the loan terms being modified. As described above, we will report the number of modifications resulting in increased payments, unchanged payments, reduced payments by 10 percent or less, or reduced payments by more than 10 percent. For loans modified in the first and second quarters of 2008, the next *Report* will show the percentage of modifications in each of the four categories that are 60 or more days past due at six months after modification. This will help determine whether significantly lower payments is the major factor in reducing loan re-default, or whether other factors are at work, such as other debt, negative equity, or income loss.

The OCC and OTS have also begun to collect other data on the type of modifications, including interest rate reduction or freeze, principal write down or deferral, capitalization of delinquent amount, term extension, or a combination of these features. While this information will not be available until the June 2009 *Report*, we continue to further our analysis and understanding of mortgage modification actions and effectiveness. Collectively, such information will result in better assessments of loan performance, modifications, and re-defaults.

III. THE VALUE OF QUALITY MORTGAGE METRICS AND REPORTING

The OCC and OTS mortgage metrics initiative provides rigorously validated data for bank supervisors, policy makers, and mortgage servicers to work with in understanding the performance of loan modifications and making consistent comparisons across federally regulated national banks and thrifts.

For bank supervisors, the data will help us develop risk-based supervision strategies. Examiners will use the information for a wide range of activities, including identifying anomalies, comparing national bank trends to the industry, evaluating asset quality and loan-loss reserve needs, and assessing the effectiveness of loss mitigation actions. Over time, it will allow us to look at trends in performance based on origination channels and other key credit characteristics. This will help us more fully assess underwriting policies, loss mitigation (e.g. loan modifications and payment plans), losses, and recovery efforts.

The data collection effort itself is an important bank supervision tool. By requiring more and better data, the OCC and OTS are spurring servicers to modify their systems to provide both themselves and bank supervisors with higher quality information upon which to base their decisions.

For policy makers, the data raise important questions about the delinquency rates of loans after loan modification that require more investigation. Understanding the current re-default rates of modified loans can better inform how best to structure systematic loan modification programs to be successful in preventing avoidable foreclosures and in minimizing loss. By bringing standardization to definitions and a common set of elements to the discussion, the mortgage metrics effort provides policy makers the ability to look across a large portion of the mortgage industry and be confident that they are comparing apples to apples. Such standardization leads to greater transparency across the industry.

For mortgage servicers, the data collection effort pointed out gaps in loss mitigation data that had previously prevented a more comprehensive and timely understanding of loss mitigation activities within the industry. Before the current crisis, loan modifications were few and focused strictly on mitigating the losses to banks and investors. As the crisis unfolded, loan modification and other loss mitigation actions became issues of systemic importance and the need for more comprehensive and timely mortgage data became much greater. The mortgage metrics initiative resulted in increased efforts by mortgage servicers to improve their systems and data reporting capabilities, which not only allowed them to respond to regulator requirements, but also produced better data for their own internal decision making and use. Better visibility of this data over time will result in more robust loss mitigation plans and risk management strategies. Standardized definitions and common elements also allow mortgage servicers to better compare their performance across the industry.

IV. IMPROVING LOSS MITIGATION AND FORECLOSURE PREVENTION

With the large number of foreclosures and the increasing numbers of serious delinquencies, actions to prevent avoidable foreclosures and effectively minimize loss continue to be critical to homeowners, mortgage servicers, and the economy as a whole. While many of the largest mortgage servicers regulated by the OCC have independently taken action to expand and enhance their loan modification and foreclosure prevention efforts, more action is needed.

However, challenges to effective foreclosure prevention and loan modification remain, including:

- Working with investors of securitized mortgages to accept loan modifications and their terms when demonstrated as preferable alternatives to foreclosure. The OCC supports using a consistent net present value (NPV) model to assist servicers in estimating loss severity rates on modifications relative to foreclosures.

- Working with borrowers to obtain current income and total debt information to determine the capacity of borrowers to meet monthly mortgage payments under modified terms. This requires a level of effort by both borrowers and servicers since total debt information is not always readily available to servicers. However, we find promise in results from efforts by servicers, and nonprofit consumer and foreclosure counseling organizations to increase borrower contact with their lenders and servicers.
- Negotiating with second-lien holders to agree to a loan modification. This takes time and slows down the process for implementing loan modifications.
- Targeting borrowers who are presently current on their mortgage for loan modifications when there currently is not a clear standard or definition in securitization pooling and servicing agreements for determining a "foreseeable default."
- Declining home prices that result in borrowers having no equity in their homes may serve as an economic disincentive to make mortgage payments under modified loan terms. In addition, borrowers who have lost their jobs and have no income will not be in a position to make mortgage payments, even under modified loan terms.
- The need for consistent, comparable, and additional data to better understand the effectiveness of loan modifications across the industry. Since the publication of our first *Mortgage Metrics Report* less than nine months ago, we have made progress to improve available data on mortgages, loan modifications, and foreclosures.

Suggestions to Address these Challenges and Other Issues

To address these challenges it will be necessary to have loan modification programs that can be understood, implemented, and will result in mortgages that are affordable and sustainable for the borrower. This will require loan modification programs to define eligible borrowers and underwriting criteria that can be consistently applied for determining affordability. In addition, a uniform and consistently applied NPV model will be important to determine the cost of loan modifications versus foreclosure, and servicers and nonprofit consumer credit counseling organizations should continue to coordinate and work closely together to reach out and assist borrowers in need of loan modifications.

V. ENCOURAGING RESPONSIBLE LENDING, FORECLOSURE PREVENTION, AND LOSS MITIGATION

While much has been done in the past year to assist troubled borrowers and stem the tide of foreclosures, much more needs to be done to effectively address problems facing homeowners and the mortgage markets. In this regard, the OCC strongly supports the Administration's Homeowner Affordability and Stability Plan and will work with the Administration, Treasury, and mortgage servicers to ensure it is properly implemented. The plan, which was announced by President Obama on February 18, includes a number of elements designed to assist homeowners making a good faith effort to stay current on their mortgage obligations in avoiding foreclosures. A central tenet of this plan is to provide consistent guidance to lenders and borrowers to solve for mortgage payments that are affordable and sustainable when making loan modifications. As we obtain additional information and gain insights into what is working and what is not working, we will work to ensure adjustments are made to implement loan modifications that are effective.

The OCC has been at the forefront in calling for prudent and responsible underwriting and requiring fair, non-predatory lending practices. As early as 2003, the OCC warned against predatory and abusive lending practices.[21] In one of his first speeches, Comptroller Dugan warned banks against risky, nontraditional loans, expressed concern about features of these loans that result in negative amortization and a high rate of defaults, and announced that the federal banking agencies planned to release guidance on underwriting and disclosures for nontraditional mortgages.[22] That guidance was proposed in December 2005[23] and finalized in 2006.[24] The OCC later championed the application of these standards throughout the entire mortgage industry[25] and joined other federal regulators in promoting the consumer awareness of the risks of these loans.[26] Subsequent to the issuance of this guidance, the OCC conducted a horizontal review to ensure that large banks properly implemented the nontraditional mortgage guidance.

Since then the OCC has actively promoted banks' responsibility to work with troubled borrowers to avoid unnecessary foreclosures and meet the needs of creditworthy borrowers. In 2006, the Comptroller spoke out on nontraditional mortgage products and praised banks' efforts to work with borrowers through community groups and nonprofits.[27] Later that year we issued a newsletter educating banks on foreclosure prevention programs,[28] and the Comptroller

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[21] See OCC News Release, "Comptroller Hawke Urges New Approach to Combating Predatory Lending," July 24, 2005 (http://www.occ.gov/toolkit/newsrelease.aspx?Doc=92PAMG4.xml) and Interagency Brochure, "Putting Your Home on the Loan Line is Risky Business," October 7, 2003 (http://www.occ.gov/predatorylendingbrochure.pdf.)
[22] See Remarks by the Comptroller of the Currency before the Consumer Federation of America, December 1, 2005.
[23] See Interagency News Release, "Federal Financial Regulatory Agencies Propose Guidance on Nontraditional Mortgage Products," December 20, 2005.
[24] See Interagency News Release, "Federal Financial Regulatory Agencies Issue Final Guidance on Nontraditional Mortgage Product Risks," September 29, 2006.
(http://www.occ.gov/toolkit/newsrelease.aspx?JNR=1&Doc=M3ZM5FQW.xml)
[25] See OCC News Release, "Comptroller Dugan Urges Key Principles of Federal Nontraditional Mortgage Guidance Apply to All Mortgage Originators," October 17, 2006.
(http://www.occ.gov/toolkit/newsrelease.aspx?Doc=4DTXZX3L.xml)
[26] See Interagency News Release, "Agencies Provide Consumer Information on Nontraditional Mortgage Loans," October 18, 2006. (http://www.occ.gov/toolkit/newsrelease.aspx?JNR=1&Doc=8WZDEM4.xml)
[27] See OCC News Release, "Comptroller Dugan Expresses Concern about New Types of Mortgages That Offer Low Initial Monthly Payments, but Higher Payments Later," April 20, 2006.
(http://www.occ.gov/toolkit/newsrelease.aspx?Doc=ZL7ERCCB.xml)
[28] See the OCC's Community Developments Online -- *Homeownership Preserving the America Dream, Spring 2006.* (http://www.occ.gov/cdd/spring06b/cd/index.html)

underscored banks' responsibilities to serve the credit needs of all community members.[29] In 2007, the OCC joined other federal regulators to encourage financial institutions to work with borrowers unable to make their payments.[30] One week later, the Comptroller re-emphasized these points during a speech to the National Foundation for Credit Counseling.[31] Later in 2007, the OCC unveiled public service advertisements to increase awareness of foreclosure prevention efforts[32] and a newsletter providing additional information to assist banks in their foreclosure prevention work.[33] The OCC then joined other federal regulators to issue a statement on subprime lending, reinforcing previous statements to work with borrowers in a safe and sound manner who are financially unable or reasonably expected to be unable to meet contractual payment obligations on their home loans,[34] and in a separate statement, the agency encouraged federally regulated financial institutions and state-supervised entities that service securitized residential mortgages to review and make full use of their authority under pooling and servicing agreements to identify borrowers at risk of default and pursue appropriate loss mitigation strategies designed to preserve homeownership.[35]

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[29] See OCC News Release, "Comptroller Dugan Underscores Banks' Responsibility To Serve Credit Needs of All Community Members," May 3, 2006 (http://www.occ.gov/toolkit/newsrelease.aspx?Doc=ZL7ERCCB.xml)
[30] See Joint Release, "Federal Regulators Encourage Institutions to Work with Mortgage Borrowers Who Are Unable to Make Their Payments," April 17, 2007. (http://www.occ.gov/ftp/release/2007-41.htm)
[31] See OCC New Release, "Comptroller Dugan Expresses Concern over Subprime Mortgage Foreclosures; Receives "Making-the-Difference" Award from Credit Counseling Foundation," April 24, 2008. (http://www.occ.gov/ftp/release/2007-44.htm)
[32] See OCC News Release, "Comptroller Dugan Unveils Public Service Announcements Encouraging Delinquent Borrowers to Contact Lenders for Help to Avoid Foreclosure," June 25, 2007. (http://www.occ.gov/ftp/release/2007-61.htm)
[33] See OCC Community Developments Insights: Foreclosure Prevention: Improving Contact with Borrowers. June 26, 2007. (http://www.occ.gov/cdd/Foreclosure_Prevention_Insights.pdf)
[34] See Joint News Release, "Federal Financial Regulatory Agencies Issue Final Statement on Subprime Mortgage Lending," June 29, 2007. (http://www.occ.gov/ftp/release/2007-64.htm)
[35] See Joint News Release, "Federal Financial Regulatory Agencies and CSBS Issue Statement On Loss Mitigation Strategies for Servicers of Residential Mortgages," September 4, 2007. (http://www.occ.gov/ftp/release/2007-91.htm)

In 2008, the OCC reiterated the guidance to national banks to work with troubled borrowers to meet the needs of creditworthy borrowers and their communities,[36] and most recently joined other federal regulators to once again encourage mortgage servicers to work with existing borrowers to avoid preventable foreclosures, which can be costly to both the institutions and to the communities they serve, and to mitigate other potential mortgage-related losses.[37]

CONCLUSION

In conclusion, more needs to be done on foreclosure prevention and to ensure sustainable mortgage credit. The OCC supports the Homeowner Affordability and Stability Plan, and we will continue to encourage national bank servicers to work with troubled borrowers and to develop and implement effective—affordable and sustainable—loan modification programs that prevent avoidable foreclosures. In addition, we will continue to refine our mortgage metrics and collect additional data to help us, as well as policy makers and the public, to better assess the effectiveness of loan modifications implemented by federally regulated institutions. You can expect to see additional information on modification performance in our next *Mortgage Metrics Report* due out in March.

[36] See OCC News Release, "Comptroller Dugan Urges Action to Help Communities Suffering from Effects of Mortgage Foreclosure Crisis," February 12, 2008. (http://www.occ.gov/ftp/release/2008-14.htm)
[37] See Joint News Release, "Interagency Statement on Meeting the Needs of Creditworthy Borrowers," November 12, 2008.