

# OCC Mortgage Metrics Report

Disclosure of National Bank Mortgage Loan Data

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Third Quarter 2018

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

December 2018

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## **About Mortgage Metrics**

The Office of the Comptroller of the Currency (OCC) collects data on first-lien residential mortgage loans serviced by seven national banks with large mortgage-servicing portfolios.<sup>1</sup> The *OCC Mortgage Metrics Report* is published quarterly to promote broader understanding of mortgage portfolio performance and modification activity in the federal banking system, support supervision of regulated institutions, and fulfill section 104 of the Helping Families Save Their Homes Act of 2009 (codified at 12 USC 1715z-25), as amended by section 1493(a) of the Dodd–Frank Wall Street Reform and Consumer Protection Act.

- This report presents performance data for the third quarter of 2018.
- The data in this report reflect a portion of first-lien residential mortgages in the country. The characteristics of the loans included here may differ from the overall population. The loans included are not a statistically representative, random sample.
- The loans include those owned by the reporting banks, as well as loans that the banks service for others as a fee-based business.
- This report covers the performance of first-lien home mortgages in the portfolios of reporting banks. It excludes junior liens, Home Equity Lines of Credit (HELOC), and Home Equity Conversion Mortgages (reverse mortgages).
- The OCC continually reviews the format and content of this report to ensure it supports supervisory needs and provides meaningful data. As a result of this process, the following two changes were made, beginning with the report for the third quarter of 2016:
  - Original FICO credit score had been used previously to describe borrower credit risk characteristics. The OCC does not endorse or require the use of any particular proprietary or vendor-provided credit-scoring model for credit risk management or other reporting purposes. Therefore, servicers now submit data for “Prime,” “Alt-A,” “Subprime,” and “Other” mortgages, as displayed in figures 3 and 4 on page 6, using their internal credit scoring system.
  - First-lien mortgages for the purchase of homes or refinancings of first-lien mortgages had previously been included in the report and continue to be included. The report now also includes first-lien, closed-end home equity loans.
- The OCC also instituted changes to its data collection method beginning with the third quarter of 2016. Banks now submit aggregate data directly to the OCC rather than loan-level data to a third-party aggregator. This new process resulted in some variances from previous quarters. The OCC directed reporting banks to address these processing issues in the fourth quarter of 2016 and reflect any adjustments in the year-end 2016 data.

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<sup>1</sup> The seven national banks are Bank of America, Citibank, HSBC, JPMorgan Chase, PNC, U.S. Bank, and Wells Fargo.

## **Executive Summary**

### ***Overall Mortgage Portfolio and Performance***

- As of September 30, 2018, the reporting banks serviced approximately 17.2 million first-lien mortgage loans with \$3.26 trillion in unpaid principal balances (see figures 1 and 2). This \$3.26 trillion was 32 percent of all residential mortgage debt outstanding in the United States.<sup>2</sup>
- The overall performance of mortgages this quarter improved slightly from a year ago. The percentage of mortgages that were current and performing at the end of the third quarter of 2018 was 95.4 percent compared with 94.8 percent the previous year (see figure 6).
- Servicers initiate foreclosure actions at defined stages of loan delinquency. Foreclosure actions progress to sale of the property only when servicers and borrowers cannot arrange a permanent loss mitigation action, modification, home sale, or alternate workout solution. Servicers initiated 28,508 new foreclosures in the third quarter of 2018, a decrease of 3.7 percent from the previous quarter and a decrease of 16.8 percent from a year earlier (see figure 7). Home forfeiture actions during the quarter—completed foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—decreased 30.4 percent from a year earlier to 15,506 (see figure 8).

### ***Number and Type of Modifications Completed and Impact on Payment Amount***

Servicers completed 25,701 modifications during the third quarter of 2018, a 21.3 percent decrease from the prior quarter's 32,655 modifications.

- Of these 25,701 modifications, 21,766, or 84.7 percent, were “combination modifications”—modifications that included multiple actions affecting affordability and sustainability of the loan, such as an interest rate reduction and a term extension. Of the remaining 3,935, 3,840 loan modifications received a single action and 95 modifications were not assigned a modification type (see table 1).
- Among the 21,766 combination modifications completed during the quarter, 96.6 percent included capitalization of delinquent interest and fees, 43.4 percent included an interest rate reduction or freeze, 96.0 percent included a term extension, 1.2 percent included principal reduction, and 13.5 percent included principal deferral (see table 2).
- Of the 25,701 modifications completed during the quarter, 17,788, or 69.2 percent, reduced the loan's pre-modification monthly payment (see table 3).

### ***Modified Loan Performance***

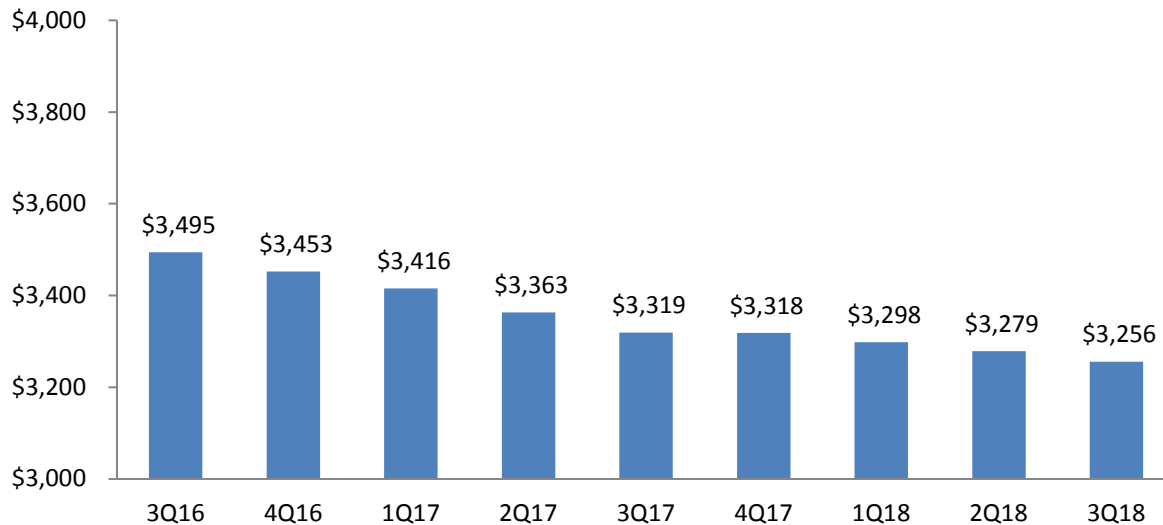
The first quarter of 2018 is the first quarter for which all loans modified during that quarter could have aged at least six months by September 30, 2018. Of the 23,427 modifications that were completed during the first quarter of 2018, servicers reported that 3,580, or 15.3 percent, were 60 or more days past due or in the process of foreclosure at the end of the month that they became six months old (see table 4).

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<sup>2</sup> Residential mortgage debt is determined using the quarterly Federal Reserve Statistical Release, Z.1 Financial Accounts of the United States, Table L.218 Home Mortgages, Household Sector liabilities, data as of September 30, 2018.

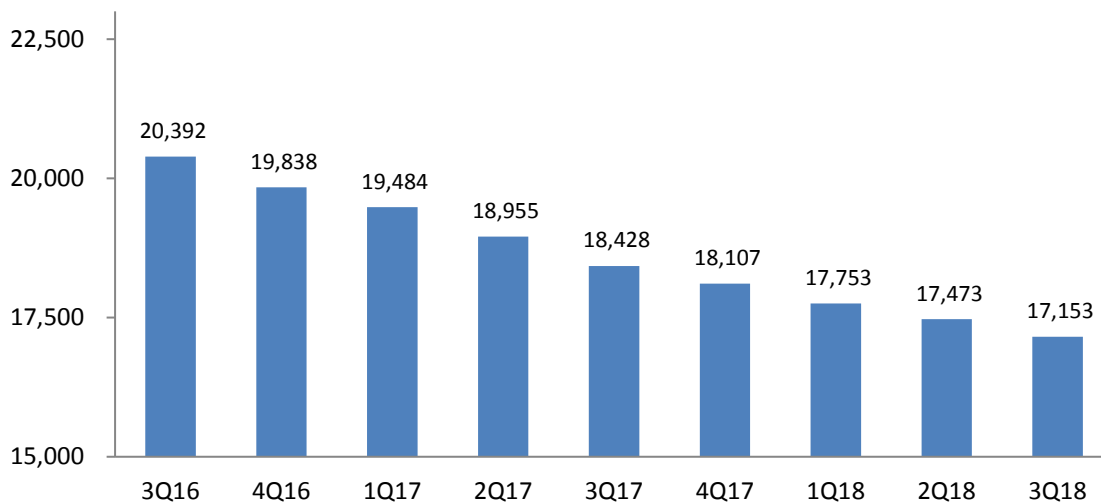
**Figure 1. Total Serviced Mortgage Portfolio—Outstanding Principal in \$ Billions**

Figure 1 reports the outstanding principal balance of reported loans and shows the declining amount of unpaid balance from the third quarter of 2016 through the third quarter of 2018.



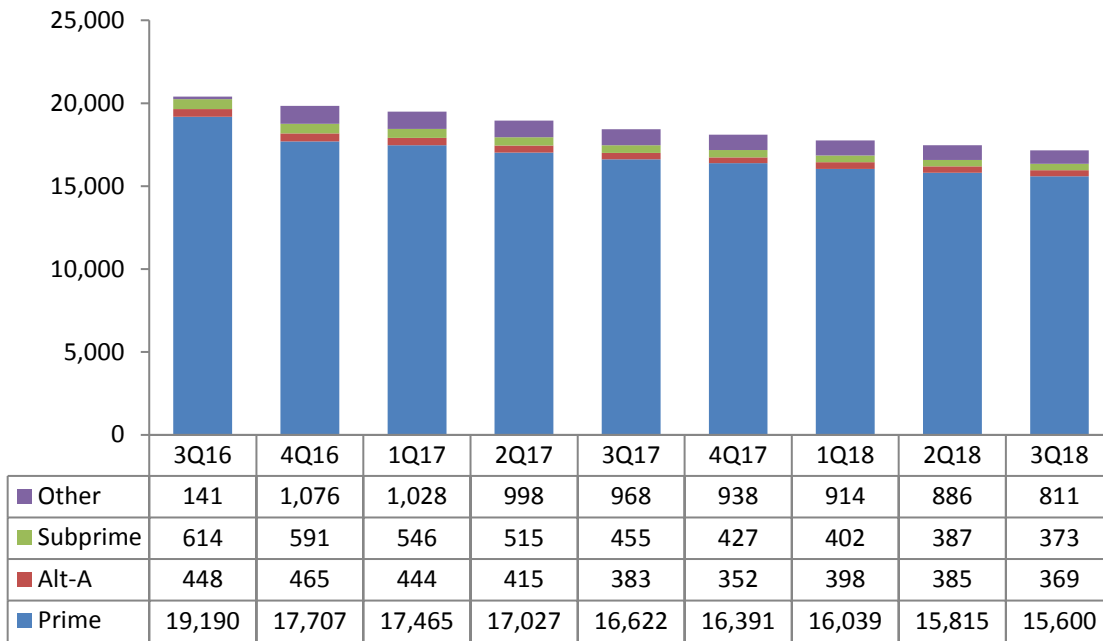
**Figure 2. Total Serviced Mortgage Portfolio—Number of Loans in Thousands**

Figure 2 reports the number of first-lien residential mortgages serviced by the seven reporting banks and illustrates the decline in their servicing portfolios from the third quarter of 2016 through the third quarter of 2018.



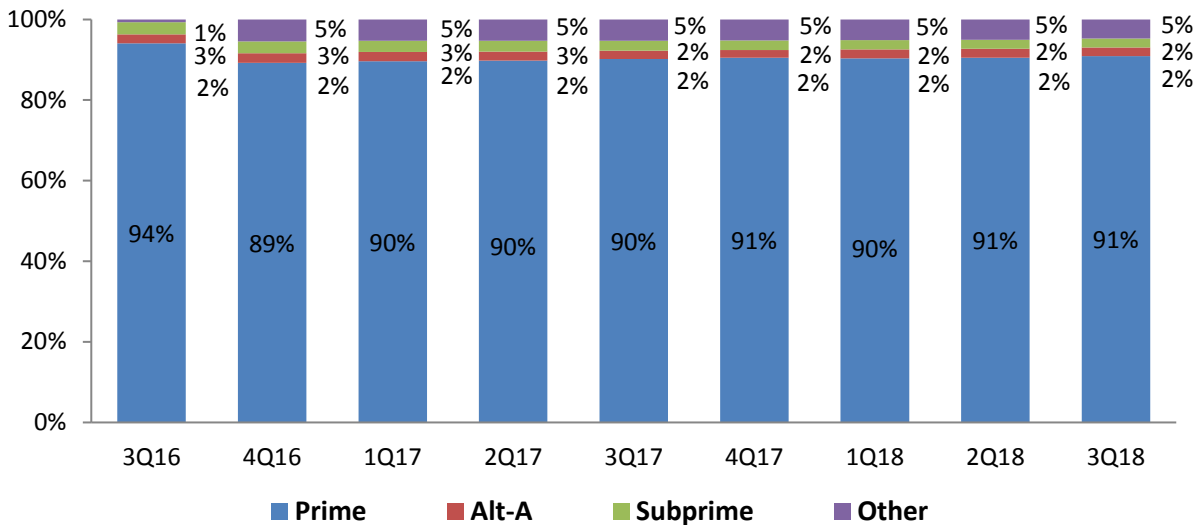
**Figure 3. Composition—Loans in Thousands by Borrower Risk Category**

Figure 3 shows the number of loans in each risk category from the third quarter of 2016 through the third quarter of 2018.<sup>3</sup>



**Figure 4. Composition—Percentage of Mortgages by Borrower Risk Category**

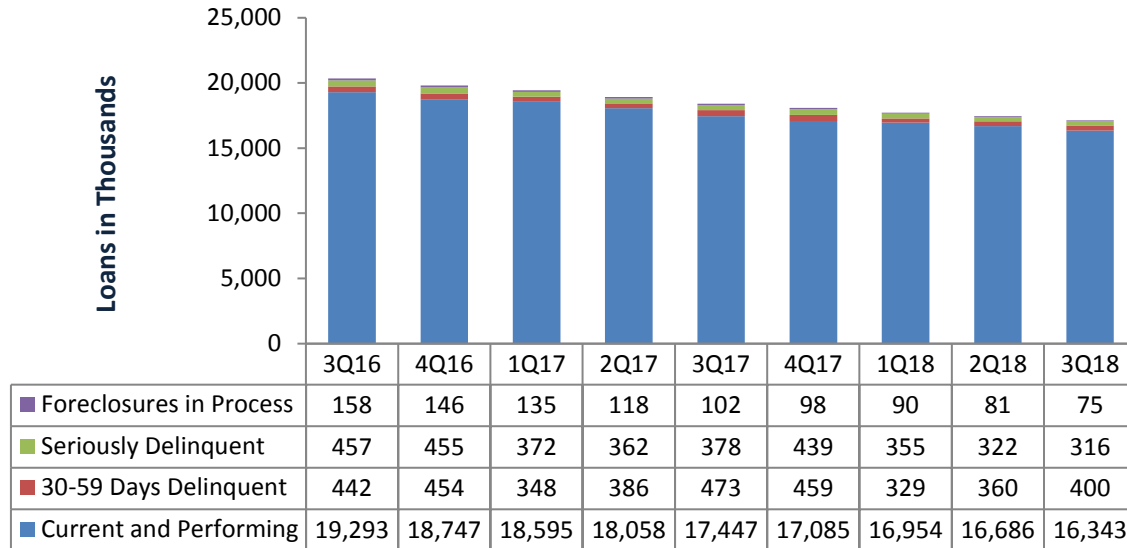
Figure 4 reports the percentage of loans in each risk category and shows that composition has remained relatively stable since the fourth quarter of 2016.



<sup>3</sup> In the third quarter of 2016, the borrower risk categories were adjusted to reflect the banks' internal credit scoring for Prime, Alt-A, or Subprime borrowers. The three categories are defined in appendix A.

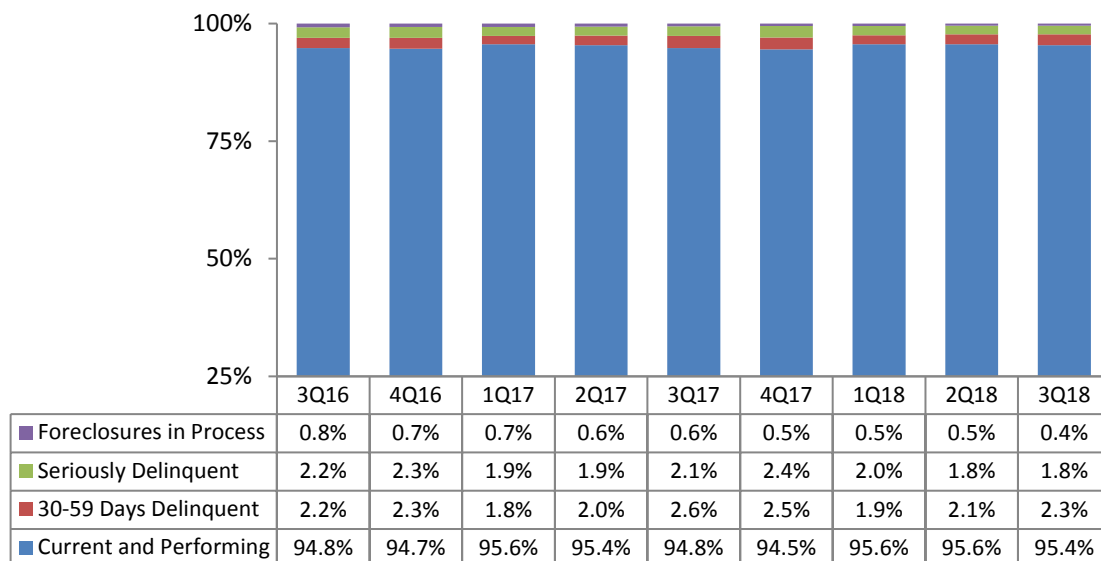
**Figure 5. Number of Loans in Delinquency and Foreclosures in Process**

Figure 5 provides the quarterly number of loans in each category of delinquency from the third quarter of 2016 through the third quarter of 2018.



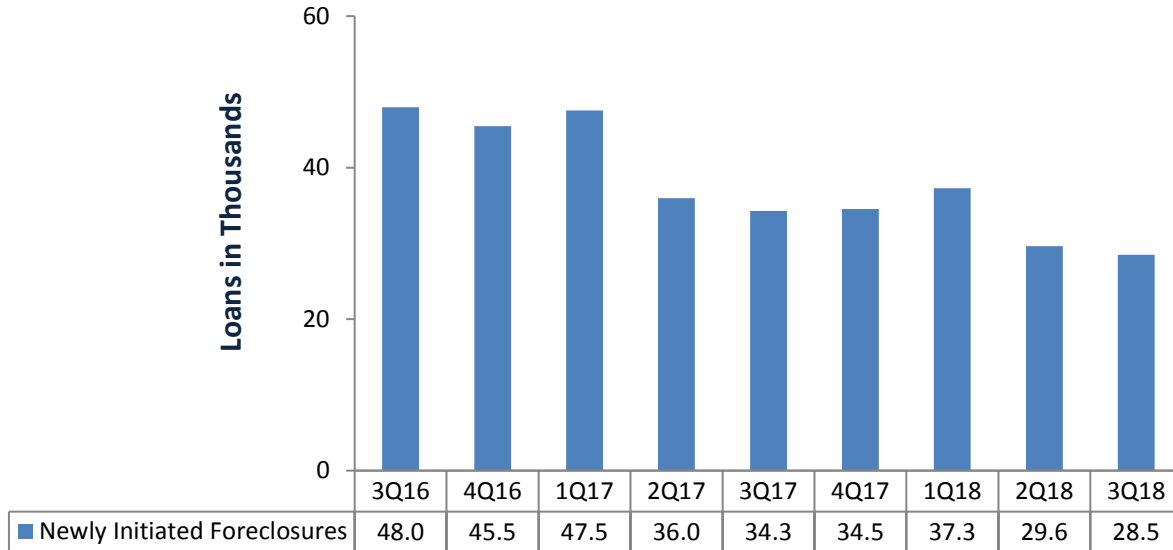
**Figure 6. Percentage of Loans Current and Performing and in Delinquency**

Figure 6 provides the quarterly percentage of mortgages in each category of delinquency from the third quarter of 2016 through the third quarter of 2018. Data show that the concentration of seriously delinquent loans and foreclosures in process remains relatively low.



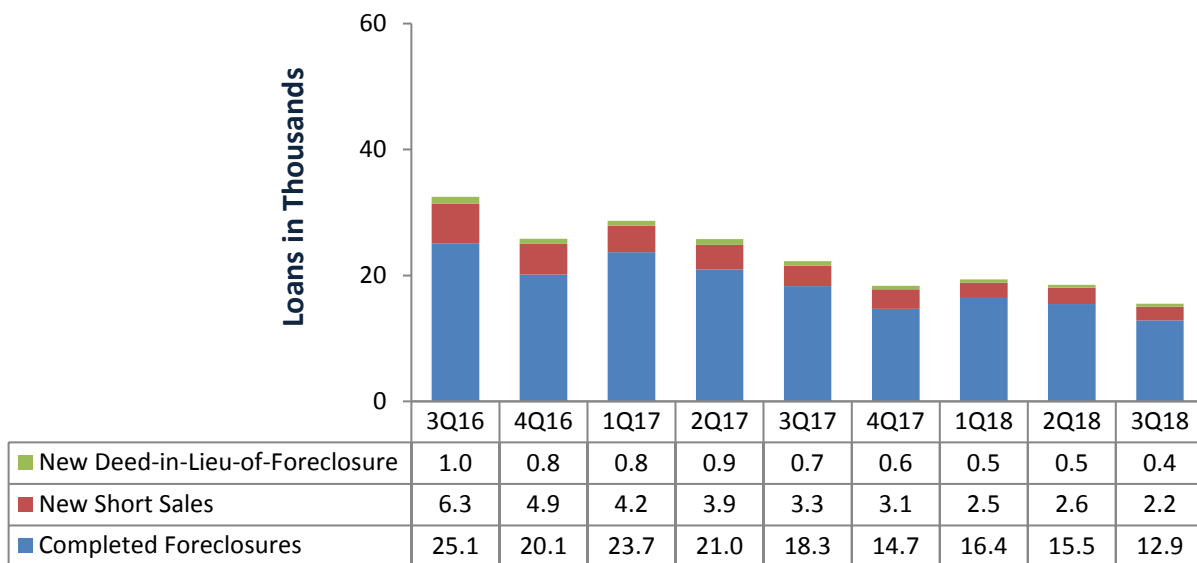
**Figure 7. Newly Initiated Foreclosures—Loans in Thousands**

Figure 7 reports the number of new foreclosure actions initiated quarterly from the third quarter of 2016 through the third quarter of 2018. New foreclosure actions decreased 3.7 percent to 28,508 during the third quarter of 2018.



**Figure 8. Completed Foreclosures and Other Home Forfeiture Actions—Loans in Thousands**

Figure 8 shows the number of foreclosure and other home forfeiture actions completed quarterly from the third quarter of 2016 through the third quarter of 2018. Completed foreclosures and other forfeiture actions decreased 16.2 percent to 15,506 during the third quarter of 2018.





**Table 1. Number of Mortgage Modification Actions**  
Implemented in the Third Quarter of 2018

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reductions	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	364	241	2,805	20	410	21,766	95	25,701
Alabama	2	3	19	-	7	247	3	281
Alaska	1	-	8	-	-	31	-	40
Arizona	3	1	25	-	8	335	1	373
Arkansas	6	-	6	-	3	195	1	211
California	18	27	94	1	57	935	14	1,146
Colorado	2	3	20	-	4	167	1	197
Connecticut	1	6	25	-	5	253	4	294
Delaware	4	3	9	-	-	118	-	134
District of Columbia	-	-	2	-	-	30	-	32
Florida	91	29	1,094	2	63	4,202	12	5,493
Georgia	31	13	116	1	15	908	5	1,089
Hawaii	3	1	1	-	1	21	-	27
Idaho	1	-	4	-	2	45	-	52
Illinois	7	10	70	2	11	963	4	1,067
Indiana	1	4	33	1	5	507	-	551
Iowa	1	1	12	-	-	143	-	157
Kansas	3	1	8	-	2	125	2	141
Kentucky	1	2	11	-	4	169	-	187
Louisiana	6	1	26	-	9	426	1	469
Maine	1	-	6	-	-	56	1	64
Maryland	7	11	55	2	12	643	4	734
Massachusetts	3	3	20	-	5	237	2	270
Michigan	6	7	19	2	3	335	2	374
Minnesota	2	4	16	-	7	316	-	345
Mississippi	5	3	6	-	5	156	1	176
Missouri	3	1	29	-	11	332	1	377
Montana	-	-	1	-	3	26	-	30
Nebraska	1	1	7	1	-	114	-	124
Nevada	2	1	8	-	-	133	1	145
New Hampshire	-	1	4	1	1	63	-	70
New Jersey	4	11	78	3	15	678	3	792
New Mexico	2	2	8	-	3	122	-	137
New York	5	10	74	1	15	830	5	940
North Carolina	16	9	60	1	14	609	3	712
North Dakota	1	-	1	-	2	7	-	11
Ohio	10	9	47	1	7	717	1	792
Oklahoma	2	2	12	-	5	236	-	257
Oregon	5	1	14	-	-	125	-	145
Pennsylvania	9	11	73	1	22	815	3	934
Rhode Island	1	-	7	-	1	51	-	60
South Carolina	6	5	39	-	11	381	-	442
South Dakota	-	-	1	-	-	26	-	27
Tennessee	4	5	24	-	6	300	1	340
Texas	67	22	531	-	31	3,547	14	4,212
Utah	1	-	12	-	4	113	-	130
Vermont	-	-	-	-	2	21	-	23
Virginia	9	11	38	-	18	432	1	509
Washington	3	5	12	-	2	208	1	231
West Virginia	2	-	3	-	1	64	1	71
Wisconsin	4	1	8	-	5	218	1	237
Wyoming	1	-	6	-	3	29	-	39
Other	-	-	3	-	-	6	1	10

**Table 2. Number of Modification Actions in Combination Actions**  
Implemented in the Third Quarter of 2018

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	21,023	9,453	20,891	264	2,930	21,766
Alabama	242	102	246	2	27	247
Alaska	30	7	30	-	6	31
Arizona	330	149	327	4	59	335
Arkansas	191	86	187	-	20	195
California	893	408	843	18	190	935
Colorado	160	57	161	-	8	167
Connecticut	245	103	238	14	64	253
Delaware	116	39	112	1	22	118
District of Columbia	29	16	26	2	5	30
Florida	3,981	1,592	3,991	20	594	4,202
Georgia	868	392	880	8	108	908
Hawaii	20	11	19	2	4	21
Idaho	45	17	45	-	6	45
Illinois	934	481	918	29	240	963
Indiana	500	239	491	8	49	507
Iowa	135	64	135	1	20	143
Kansas	119	59	122	1	15	125
Kentucky	164	99	161	4	26	169
Louisiana	421	198	413	3	37	426
Maine	56	29	56	1	7	56
Maryland	621	258	605	15	127	643
Massachusetts	230	103	229	4	28	237
Michigan	327	163	324	13	52	335
Minnesota	307	137	305	2	31	316
Mississippi	149	76	147	4	21	156
Missouri	320	174	318	8	40	332
Montana	26	14	26	-	4	26
Nebraska	110	53	107	-	4	114
Nevada	128	51	127	4	21	133
New Hampshire	61	24	61	-	10	63
New Jersey	649	306	645	21	186	678
New Mexico	119	56	117	-	18	122
New York	799	394	788	12	166	830
North Carolina	584	267	595	9	72	609
North Dakota	7	3	6	-	1	7
Ohio	699	374	698	15	104	717
Oklahoma	230	124	227	2	29	236
Oregon	122	38	118	1	13	125
Pennsylvania	793	387	792	9	134	815
Rhode Island	49	24	50	-	14	51
South Carolina	376	158	367	3	48	381
South Dakota	25	9	23	-	3	26
Tennessee	290	162	282	3	23	300
Texas	3,461	1,475	3,476	6	106	3,547
Utah	107	37	113	1	6	113
Vermont	18	14	19	-	3	21
Virginia	424	190	415	3	81	432
Washington	204	70	204	2	19	208
West Virginia	62	33	62	2	12	64
Wisconsin	213	113	210	7	46	218
Wyoming	28	15	28	-	1	29
Other	6	3	6	-	-	6

**Table 3. Changes in Monthly Principal and Interest Payments by State**  
 Modifications Implemented in the Third Quarter of 2018

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	7,576	4,763	5,449	2,125	5,724	60	25,701
Alabama	97	50	57	10	66	-	281
Alaska	11	15	5	1	8	-	40
Arizona	126	86	62	10	89	-	373
Arkansas	64	50	34	4	58	-	211
California	424	287	173	79	183	1	1,146
Colorado	65	51	32	4	45	-	197
Connecticut	107	63	48	5	70	2	294
Delaware	36	26	31	1	39	1	134
District of Columbia	17	4	7	-	4	-	32
Florida	931	770	1,611	1,184	971	26	5,493
Georgia	350	213	243	51	230	1	1,089
Hawaii	9	4	3	1	10	-	27
Idaho	11	13	9	2	16	1	52
Illinois	372	245	174	18	257	1	1,067
Indiana	181	93	110	8	157	1	551
Iowa	54	27	26	3	47	-	157
Kansas	47	28	25	3	37	-	141
Kentucky	71	38	22	10	46	-	187
Louisiana	143	118	69	15	124	-	469
Maine	17	20	15	-	12	-	64
Maryland	259	151	126	16	181	1	734
Massachusetts	91	56	42	5	75	1	270
Michigan	154	66	75	4	73	1	374
Minnesota	113	87	56	10	79	-	345
Mississippi	57	44	30	7	38	-	176
Missouri	147	74	55	13	86	1	377
Montana	7	5	9	3	6	-	30
Nebraska	36	26	16	1	45	-	124
Nevada	49	40	25	1	30	-	145
New Hampshire	27	17	14	3	9	-	70
New Jersey	314	167	114	17	179	1	792
New Mexico	50	26	26	3	32	-	137
New York	344	182	152	21	236	7	940
North Carolina	245	145	128	21	172	1	712
North Dakota	4	-	1	2	4	-	11
Ohio	272	154	134	10	222	-	792
Oklahoma	104	47	40	5	61	-	257
Oregon	44	40	24	2	35	-	145
Pennsylvania	381	181	133	25	214	-	934
Rhode Island	20	16	8	2	14	-	60
South Carolina	135	96	89	14	107	1	442
South Dakota	9	3	4	-	11	-	27
Tennessee	122	84	53	10	72	-	340
Texas	1,020	611	1,105	477	988	10	4,212
Utah	42	25	29	5	29	-	130
Vermont	11	4	1	2	5	-	23
Virginia	178	108	94	20	107	2	509
Washington	71	44	46	3	67	-	231
West Virginia	39	11	3	1	16	-	71
Wisconsin	82	45	46	7	57	-	237
Wyoming	15	7	9	3	5	-	39
Other	1	-	6	3	-	-	10

**Table 4. Number of Re-Defaults for Loans Modified Six Months Previously**

Modified Loans 60 or More Days Delinquent After Six Months by Changes in Principal and Interest Payments

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Re-Defaults
Total - All States	986	780	799	22	983	10	3,580
Alabama	14	12	19	1	14	2	62
Alaska	4	2	2	-	1	-	9
Arizona	14	21	25	-	10	-	70
Arkansas	21	9	9	-	14	-	53
California	47	35	40	2	50	-	174
Colorado	3	6	8	-	7	-	24
Connecticut	20	14	10	-	11	-	55
Delaware	9	13	8	-	2	-	32
District of Columbia	1	-	-	1	4	-	6
Florida	31	27	31	4	41	1	135
Georgia	40	30	40	-	66	-	176
Hawaii	3	1	2	-	2	-	8
Idaho	5	2	3	-	3	-	13
Illinois	62	53	30	-	37	-	182
Indiana	41	23	24	-	36	-	124
Iowa	4	10	7	1	9	-	31
Kansas	13	4	7	-	6	-	30
Kentucky	16	12	8	1	10	1	48
Louisiana	35	19	16	1	27	-	98
Maine	8	3	5	-	5	-	21
Maryland	26	25	36	2	54	1	144
Massachusetts	9	12	13	-	12	-	46
Michigan	32	14	25	-	22	-	93
Minnesota	19	16	12	-	19	-	66
Mississippi	12	11	11	1	14	-	49
Missouri	22	15	15	-	18	-	70
Montana	2	-	2	-	3	-	7
Nebraska	6	2	9	-	4	-	21
Nevada	5	5	8	-	6	-	24
New Hampshire	2	-	2	-	2	-	6
New Jersey	43	35	27	-	45	-	150
New Mexico	8	1	6	-	6	-	21
New York	41	48	41	-	61	2	193
North Carolina	42	43	27	2	45	-	159
North Dakota	1	-	-	-	1	-	2
Ohio	53	40	32	1	49	-	175
Oklahoma	14	8	7	-	11	-	40
Oregon	6	5	7	-	11	-	29
Pennsylvania	58	42	42	-	42	2	186
Rhode Island	4	3	1	-	2	-	10
South Carolina	24	28	18	1	30	-	101
South Dakota	-	1	3	-	-	-	4
Tennessee	14	12	13	-	17	-	56
Texas	75	67	77	3	96	1	319
Utah	6	4	8	-	5	-	23
Vermont	3	4	3	-	-	-	10
Virginia	32	17	28	-	25	-	102
Washington	18	9	13	1	8	-	49
West Virginia	3	2	2	-	7	-	14
Wisconsin	15	12	15	-	11	-	53
Wyoming	-	3	2	-	2	-	7
Other	-	-	-	-	-	-	-

## **Appendix A—Definitions and Method**

The *OCC Mortgage Metrics Report* relies on reporting elements and conventions standard in the residential mortgage industry.

- **Alt-A** - Mortgages to prime quality borrowers but do not satisfy the criteria for conforming or jumbo loan programs. For example, these loans may lack high loan-to-value mortgage insurance, have minimal documentation, or be secured by collateral other than the borrower's primary residence. Alt-A mortgages are based on the borrower's credit conditions at origination.
- **Capitalization** - Actions that increase the unpaid principal balance of the loan by the amount of any delinquent payments and fees.
- **Combination modifications** - Modifications that include more than one type of modification action. Most modifications generally require changes to more than one term of a loan to bring a loan current and reduce monthly payments to an amount that is affordable and sustainable.
- **Foreclosures in process** - Mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the foreclosure process. The foreclosure process varies by state. Many foreclosures in process never result in the loss of borrowers' homes because servicers simultaneously pursue other loss mitigation actions, and borrowers may return their mortgages to current and performing status.
- **Interest rate reductions and freezes** - Actions that reduce or freeze the contractual interest rate of the loan that was in effect prior to the modification action.
- **Loan modifications** - Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Other** - Mortgages in the portfolio that could not be classified by the bank as Prime, Alt-A, or Subprime. Other mortgages are based on the borrower's credit conditions at origination.
- **Prime** - Mortgages to borrowers underwritten as part of a conforming or jumbo loan program. Typically these borrowers are eligible for standard loan programs and pricing. For example, borrowers typically have mortgage insurance when the loan-to-value exceeds 80 percent of the collateral property value. Prime mortgages are based on the borrower's credit conditions at origination.
- **Principal deferral modifications** - Modifications that remove a portion of the unpaid principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications** - Modifications that permanently reduce the unpaid principal owed on a mortgage.
- **Re-default** - For purposes of this report, a loan is defined as in re-default if it was 60 or more days past due as of the end of the month at which the modification was six months old. For example, a loan that was modified as of January 1, 2016, would be defined as in re-default if it was 60 or more days past due or 30 or more days past due and in the process of foreclosure as of its July 31, 2016, reporting date.

- **Seriously delinquent loans** - Mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **Subprime** - Mortgages to borrowers that display a range of credit risk characteristics that may include a weakened credit history, reduced repayment capacity, or incomplete credit history. A weakened credit history may include prior delinquencies, judgments, bankruptcies, or foreclosures on the credit report at the time of underwriting. Subprime mortgages are based on the borrower's credit conditions at origination.
- **Term extensions** - Actions that delay the final maturity date of the loan that was in effect prior to the modification action.

Loan delinquencies are reported using the Mortgage Bankers Association convention that a loan is past due when a scheduled payment has not been made by the due date of the following scheduled payment. The statistics are based on the number of loans, unless stated otherwise.

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

Results are not seasonally adjusted.