Office of the
Comptroller of the Currency

OCC Mortgage Metrics Report

Disclosure of National Bank Mortgage Loan Data

Second Quarter 2017

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

September 2017

Contents

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.[1] 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 second quarter of 2017.
- 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 (HELOCs), 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 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.

[1] The seven national banks are Bank of America, Citibank, HSBC, JPMorgan Chase, PNC, U.S. Bank, and Wells Fargo. Data through the fourth quarter of 2015 include CIT/OneWest.

Executive Summary

Overall Mortgage Portfolio and Performance

- As of June 30, 2017, the reporting banks serviced approximately 19.0 million first-lien mortgage loans with $3.36 trillion in unpaid principal balances (see figures 1 and 2). This $3.36 trillion was 34 percent of all residential mortgage debt outstanding in the United States.[2]
- The overall performance of mortgages this quarter showed continued improvement from a year earlier. The percentage of mortgages that were current and performing at the end of the second quarter of 2017 was 95.4 percent, compared with 94.7 percent a year earlier (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 35,974 new foreclosures in the second quarter of 2017, a decrease of 24.3 percent from the previous quarter and decrease of 26.2 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 22.7 percent from a year earlier to 25,776 (see figure 8).

Number and Type of Modifications Completed and Impact on Payment Amount

Servicers completed 30,523 modifications during the second quarter of 2017, a 13.1 percent decrease from the prior quarter's 35,137 modifications.

- Of these 30,523 modifications, 27,657, or 90.6 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 2,866, 2,779 loan modifications received a single action and 87 modifications were not assigned a modification type (see table 1).
- Among the 27,657 combination modifications completed during the quarter, 93.9 percent included capitalization of delinquent interest and fees, 73.1 percent included an interest rate reduction or freeze, 90.3 percent included a term extension, 4.3 percent included principal reduction, and 11.4 percent included principal deferral (see table 2).
- Of these 30,523 modifications completed during the quarter, 25,450, or 83.4 percent, reduced the loan's pre-modification monthly payment (see table 3).

Modified Loan Performance

The fourth quarter of 2016 is the first quarter for which all loans modified during that quarter could have aged at least six months by June 30, 2017. Of the 32,312 modifications that were completed during the fourth quarter of 2016, servicers reported that 4,327, or 13.4 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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[2] 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 March 31, 2017.

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 second quarter of 2015 through the second quarter of 2017.

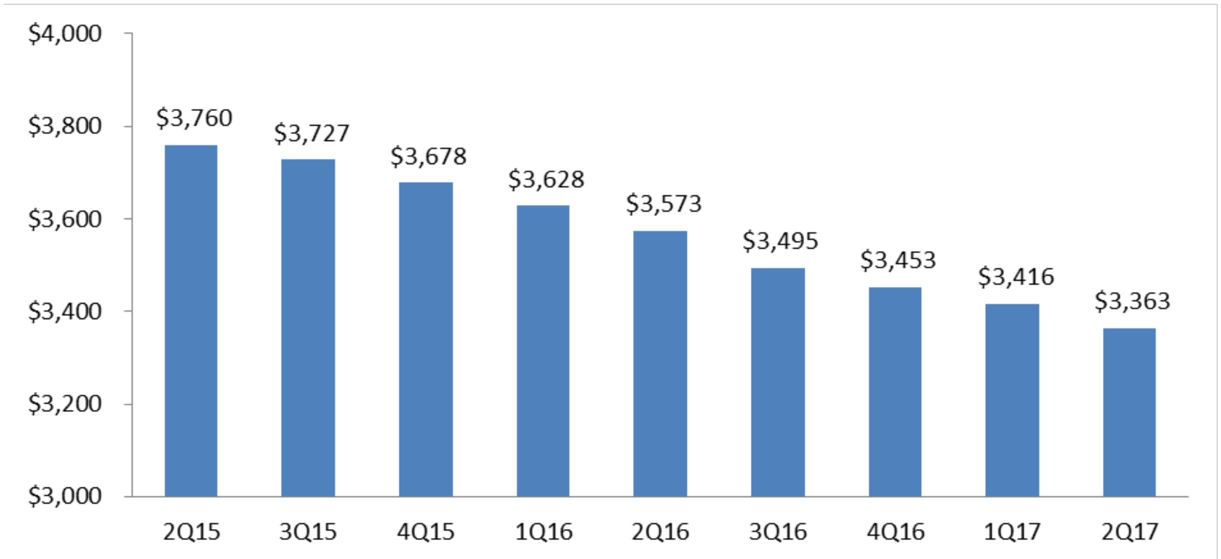


Figure 2. Total Serviced Mortgage Portfolio—Number of Loans in Thousands

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 second quarter of 2015 through the second quarter of 2017.

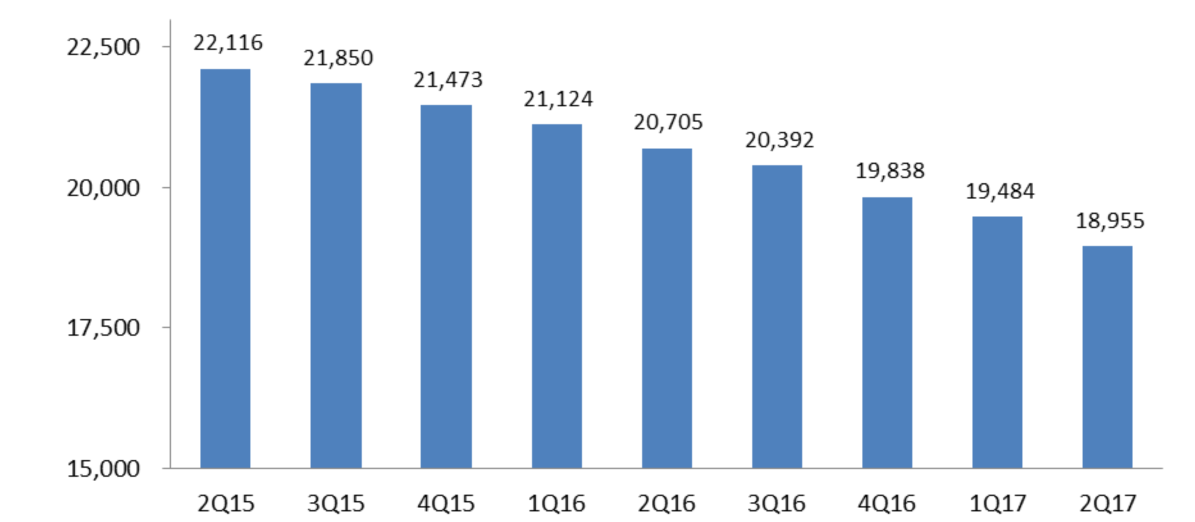
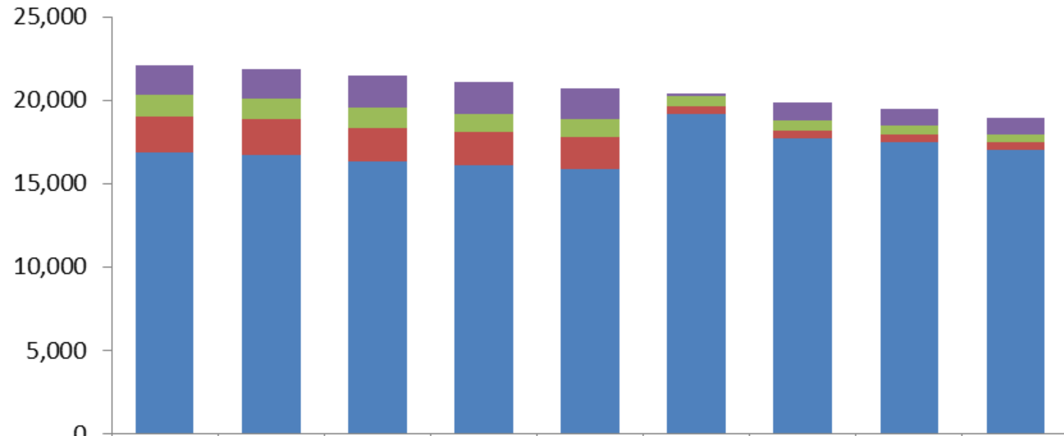


Figure 3. Composition—Loans in Thousands by Borrower Risk Category

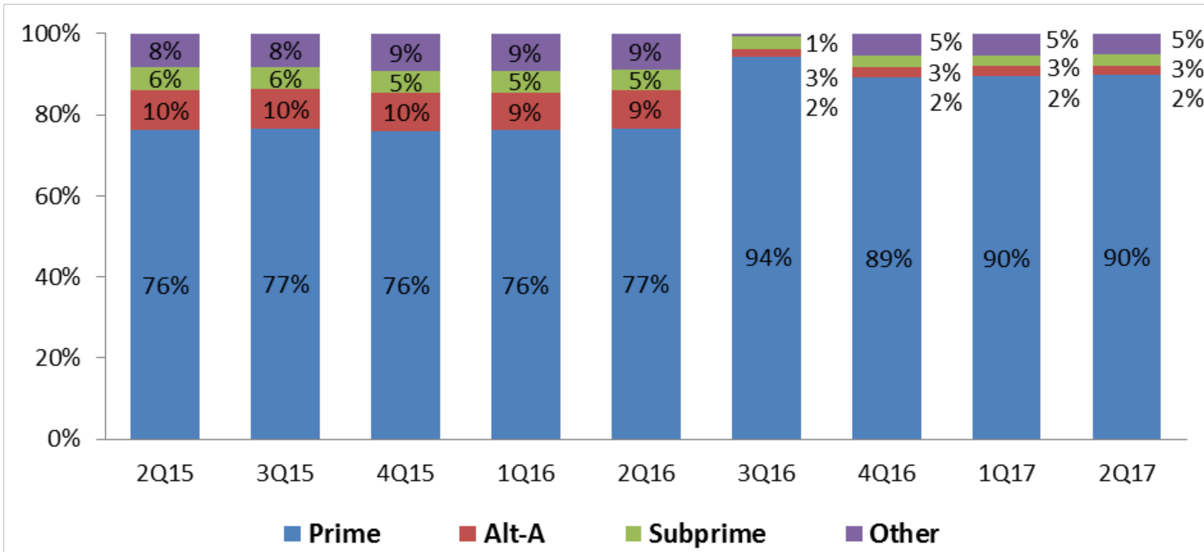
Figure 3 shows the number of loans in each risk category from the second quarter of 2015 through the second quarter of 2017.[3]



	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Other	1,813	1,782	1,959	1,921	1,816	141	1,076	1,028	998
Subprime	1,283	1,233	1,174	1,134	1,096	614	591	546	515
Alt-A	2,166	2,106	2,043	1,991	1,936	448	465	444	415
Prime	16,854	16,729	16,297	16,078	15,857	19,190	17,707	17,465	17,027

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 had remained relatively stable from the second quarter of 2015 through the second quarter of 2016. The second quarter of 2017 is the fourth consecutive quarter that banks have reported risk categories based on their internal credit scoring systems.



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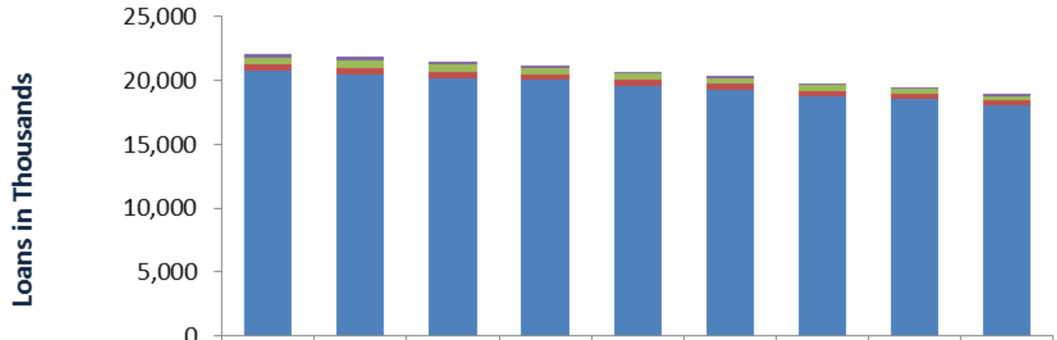
[3] In the third quarter of 2016, the borrower risk categories were adjusted to reflect the banks' internal credit scoring for Prime, Alt-A, or Subprime borrowers. The three categories are defined in Appendix A.

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

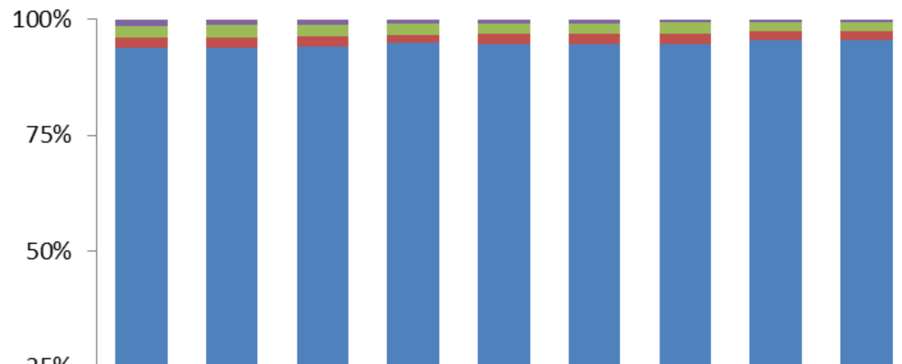
Figure 5 provides the quarterly number of loans in each category of delinquency from the second quarter of 2015 through the second quarter of 2017.



	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Foreclosures in Process	300	270	228	200	173	158	146	135	118
Seriously Delinquent	581	568	570	496	479	457	455	372	362
30-59 Days Delinquent	483	505	478	392	443	442	454	348	386
Current and Performing	20,754	20,508	20,198	20,036	19,610	19,293	18,747	18,595	18,058

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

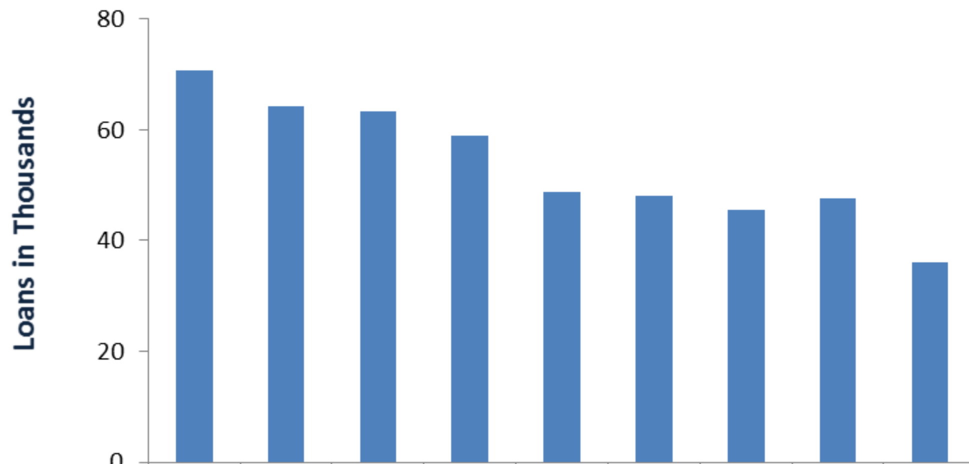
Figure 6 provides the quarterly percentage of mortgages in each category of delinquency from the second quarter of 2015 through the second quarter of 2017. Data show that the concentration of seriously delinquent loans and foreclosures in process remains relatively low.



	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Foreclosures in Process	1.4%	1.2%	1.1%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%
Seriously Delinquent	2.6%	2.6%	2.7%	2.3%	2.3%	2.2%	2.3%	1.9%	1.9%
30-59 Days Delinquent	2.2%	2.3%	2.2%	1.9%	2.1%	2.2%	2.3%	1.8%	2.0%
Current and Performing	93.8%	93.9%	94.1%	94.9%	94.7%	94.8%	94.7%	95.6%	95.4%

Figure 7. Newly Initiated Foreclosures—Loans in Thousands

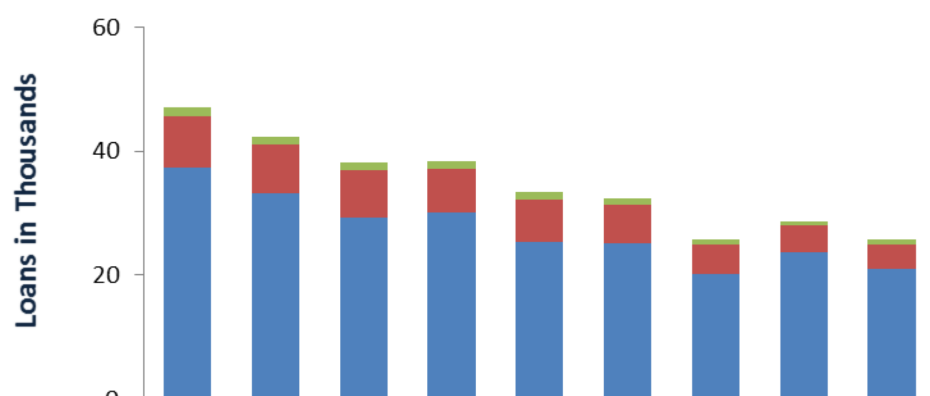
Figure 7 reports the number of new foreclosure actions initiated quarterly from the second quarter of 2015 through the second quarter of 2017. New foreclosure actions decreased 24.3 percent to 35,974 during the second quarter of 2017, the largest quarter-over-quarter decline in two years.



	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Newly Initiated Foreclosures	70.7	64.2	63.4	58.9	48.7	48.0	45.5	47.5	36.0

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 second quarter of 2015 through the second quarter of 2017. Completed foreclosures and other forfeiture actions decreased 10.2 percent to 25,776.



	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
New Deed-in-Lieu-of-Foreclosure	1.3	1.2	1.1	1.4	1.2	1.0	0.8	0.8	0.9
New Short Sales	8.4	8.0	7.7	6.9	6.8	6.3	4.9	4.2	3.9
Completed Foreclosures	37.3	33.1	29.3	30.2	25.3	25.1	20.1	23.7	21.0

Table 1. Number of Mortgage Modification Actions
Implemented in the Second Quarter of 2017

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reductions	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	847	138	1,413	45	336	27,657	87	30,523
Alabama	12	-	20	3	6	435	-	476
Alaska	-	-	6	-	1	28	-	35
Arizona	15	2	45	1	5	533	4	605
Arkansas	3	-	10	-	1	263	-	277
California	83	34	90	9	54	1,998	22	2,290
Colorado	8	-	21	-	2	308	1	340
Connecticut	16	1	29	2	4	428	1	481
Delaware	6	-	7	-	1	207	1	222
District of Columbia	3	-	6	-	1	63	-	73
Florida	73	8	57	1	24	1,833	4	2,000
Georgia	46	9	84	1	18	1,270	4	1,432
Hawaii	4	-	-	-	-	53	-	57
Idaho	4	2	6	-	1	76	-	89
Illinois	29	8	76	4	20	1,406	5	1,548
Indiana	22	3	29	-	4	740	2	800
Iowa	5	-	8	-	1	247	-	261
Kansas	6	-	5	-	2	193	-	206
Kentucky	14	-	11	-	1	289	-	315
Louisiana	33	2	22	-	13	692	2	764
Maine	7	-	3	1	3	90	-	104
Maryland	29	3	64	2	10	1,027	3	1,138
Massachusetts	7	2	30	-	10	410	1	460
Michigan	13	-	24	-	6	576	1	620
Minnesota	15	1	27	-	4	526	-	573
Mississippi	17	-	10	-	3	229	-	259
Missouri	11	2	28	-	4	546	-	591
Montana	5	-	2	-	-	47	-	54
Nebraska	1	-	4	-	2	156	-	163
Nevada	9	3	13	-	6	232	2	265
New Hampshire	1	-	10	-	3	99	-	113
New Jersey	26	9	70	1	11	1,251	6	1,374
New Mexico	1	-	11	-	1	175	-	188
New York	26	11	77	7	18	1,554	6	1,699
North Carolina	43	2	47	-	7	1,024	2	1,125
North Dakota	-	-	1	-	-	19	-	20
Ohio	18	3	35	1	12	1,207	4	1,280
Oklahoma	5	-	12	-	4	335	-	356
Oregon	12	2	9	-	5	189	2	219
Pennsylvania	33	3	67	6	23	1,321	2	1,455
Rhode Island	-	1	7	1	3	110	-	122
South Carolina	28	3	22	1	5	532	-	591
South Dakota	2	-	-	-	-	42	-	44
Tennessee	17	5	29	-	3	556	-	610
Texas	54	12	159	1	11	2,587	4	2,828
Utah	8	-	22	-	3	189	-	222
Vermont	3	-	-	-	-	26	-	29
Virginia	30	3	56	-	8	657	3	757
Washington	21	3	26	2	6	391	4	453
West Virginia	7	-	4	-	-	90	-	101
Wisconsin	14	1	10	1	5	354	1	386
Wyoming	1	-	2	-	1	40	-	44
Other	1	-	-	-	-	8	-	9

Table 2. Number of Modification Actions in Combination Actions
Implemented in the Second Quarter of 2017

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	25,979	20,224	24,984	1,188	3,146	27,657
Alabama	411	310	406	13	42	435
Alaska	25	14	27	1	3	28
Arizona	491	418	474	25	56	533
Arkansas	254	203	245	3	12	263
California	1,885	1,431	1,597	147	286	1,998
Colorado	293	195	286	2	15	308
Connecticut	400	313	390	28	73	428
Delaware	201	152	194	6	25	207
District of Columbia	58	44	54	4	11	63
Florida	1,734	1,393	1,605	135	308	1,833
Georgia	1,191	912	1,146	43	143	1,270
Hawaii	51	36	44	3	5	53
Idaho	73	52	68	2	9	76
Illinois	1,332	1,072	1,276	95	244	1,406
Indiana	704	606	690	18	47	740
Iowa	234	171	234	2	16	247
Kansas	184	141	185	1	9	193
Kentucky	268	226	268	2	17	289
Louisiana	670	472	639	14	44	692
Maine	88	59	83	6	14	90
Maryland	966	765	916	63	134	1,027
Massachusetts	389	292	368	18	50	410
Michigan	536	445	518	31	65	576
Minnesota	506	396	487	12	34	526
Mississippi	215	157	212	12	16	229
Missouri	533	421	507	22	59	546
Montana	44	31	43	1	3	47
Nebraska	147	134	145	2	7	156
Nevada	219	173	201	12	42	232
New Hampshire	94	58	92	2	11	99
New Jersey	1,160	876	1,120	118	255	1,251
New Mexico	160	130	166	3	12	175
New York	1,445	1,116	1,397	83	267	1,554
North Carolina	947	694	968	21	78	1,024
North Dakota	19	11	18	-	1	19
Ohio	1,142	989	1,125	37	114	1,207
Oklahoma	321	250	316	6	15	335
Oregon	181	120	167	7	16	189
Pennsylvania	1,217	922	1,212	57	168	1,321
Rhode Island	103	83	98	12	17	110
South Carolina	503	355	485	11	54	532
South Dakota	41	26	37	1	2	42
Tennessee	520	429	466	18	48	556
Texas	2,370	1,920	2,435	37	120	2,587
Utah	177	119	175	3	9	189
Vermont	25	19	20	-	3	26
Virginia	616	449	570	24	70	657
Washington	366	262	356	6	36	391
West Virginia	89	72	81	6	13	90
Wisconsin	334	255	328	13	42	354
Wyoming	39	28	37	-	3	40
Other	8	7	7	-	3	8

Table 3. Changes in Monthly Principal and Interest Payments by State
Modifications Implemented in the Second Quarter of 2017

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	13,755	6,272	5,423	373	4,556	148	30,523
Alabama	206	111	94	5	58	2	476
Alaska	19	3	6	-	7	-	35
Arizona	280	120	134	4	67	-	605
Arkansas	112	57	58	5	45	-	277
California	1,130	539	304	39	273	7	2,290
Colorado	148	82	59	2	49	-	340
Connecticut	253	78	69	4	77	-	481
Delaware	88	37	60	2	35	-	222
District of Columbia	30	19	16	-	7	1	73
Florida	947	379	306	25	338	5	2,000
Georgia	629	301	275	21	205	2	1,432
Hawaii	23	8	14	-	11	1	57
Idaho	39	24	9	1	16	-	89
Illinois	765	301	240	19	219	4	1,548
Indiana	299	165	187	7	133	9	800
Iowa	108	60	46	1	46	-	261
Kansas	81	37	41	1	46	-	206
Kentucky	140	52	66	3	51	3	315
Louisiana	296	168	168	18	114	-	764
Maine	36	17	22	3	26	-	104
Maryland	489	229	225	11	183	1	1,138
Massachusetts	202	89	79	10	79	1	460
Michigan	296	132	125	7	52	8	620
Minnesota	263	117	92	6	94	1	573
Mississippi	126	41	45	3	44	-	259
Missouri	264	130	123	4	70	-	591
Montana	24	10	9	-	11	-	54
Nebraska	78	23	34	1	27	-	163
Nevada	121	51	45	3	44	1	265
New Hampshire	57	23	21	2	10	-	113
New Jersey	653	287	208	11	208	7	1,374
New Mexico	75	40	36	2	34	1	188
New York	770	393	247	22	253	14	1,699
North Carolina	492	221	234	13	155	11	1,125
North Dakota	8	6	4	-	2	-	20
Ohio	573	218	229	22	217	21	1,280
Oklahoma	144	63	78	5	66	-	356
Oregon	90	44	34	3	47	1	219
Pennsylvania	665	301	247	22	186	34	1,455
Rhode Island	60	24	22	2	13	1	122
South Carolina	244	109	132	8	97	2	591
South Dakota	12	14	9	-	9	-	44
Tennessee	269	118	116	5	100	1	610
Texas	1,273	603	492	21	436	2	2,828
Utah	88	63	37	4	29	1	222
Vermont	10	5	6	-	8	-	29
Virginia	357	161	122	12	102	4	757
Washington	173	107	87	6	79	1	453
West Virginia	56	15	19	2	9	-	101
Wisconsin	169	65	83	5	63	1	386
Wyoming	17	12	8	1	6	-	44
Other	8	-	1	-	-	-	9

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	1,434	1,021	1,058	21	777	16	4,327
Alabama	37	26	26	-	13	-	102
Alaska	1	2	2	-	-	-	5
Arizona	19	26	16	-	9	-	70
Arkansas	9	13	13	1	13	-	49
California	85	67	37	1	22	-	212
Colorado	10	9	7	-	7	-	33
Connecticut	23	12	16	-	12	-	63
Delaware	12	8	5	-	10	-	35
District of Columbia	1	1	1	-	3	-	6
Florida	87	52	43	2	45	1	230
Georgia	61	51	63	-	49	-	224
Hawaii	3	1	1	-	1	-	6
Idaho	2	2	4	-	3	-	11
Illinois	85	50	41	1	41	1	219
Indiana	31	25	33	1	16	-	106
Iowa	8	4	10	-	5	-	27
Kansas	12	6	8	-	4	-	30
Kentucky	16	11	14	-	8	-	49
Louisiana	33	26	28	-	20	-	107
Maine	6	1	6	-	6	-	19
Maryland	41	38	60	-	32	1	172
Massachusetts	24	17	17	-	16	-	74
Michigan	34	27	14	2	14	-	91
Minnesota	27	13	19	-	11	-	70
Mississippi	14	16	14	-	10	-	54
Missouri	15	17	16	2	7	1	58
Montana	6	-	2	-	4	-	12
Nebraska	11	10	3	-	7	-	31
Nevada	19	8	13	-	6	-	46
New Hampshire	2	5	5	-	-	-	12
New Jersey	68	49	46	1	33	-	197
New Mexico	8	8	9	-	3	1	29
New York	89	52	53	3	50	2	249
North Carolina	62	51	36	1	26	-	176
North Dakota	3	1	3	-	-	-	7
Ohio	71	34	46	1	41	6	199
Oklahoma	23	6	10	-	16	-	55
Oregon	7	12	9	-	8	-	36
Pennsylvania	72	50	46	-	34	-	202
Rhode Island	3	5	6	-	1	-	15
South Carolina	28	14	27	-	24	-	93
South Dakota	-	2	-	-	1	-	3
Tennessee	31	24	29	1	14	-	99
Texas	140	98	103	4	76	1	422
Utah	9	7	14	-	4	1	35
Vermont	3	-	2	-	1	-	6
Virginia	34	29	34	-	17	-	114
Washington	17	12	22	-	19	-	70
West Virginia	7	4	3	-	1	-	15
Wisconsin	24	19	20	-	14	1	78
Wyoming	1	-	3	-	-	-	4
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.