

Press Releases

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OTS 11-015 - Mortgage Performance Improves During First Quarter of 2011 as Large Number of Troubled Loans Works Through the System

Joint Release

Office of the Comptroller of the Currency Office of Thrift Supervision

For Immediate Release
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WASHINGTON—The performance of first-lien mortgages serviced by large national banks and federal thrifts improved during the first quarter of 2011, according to a report released today by federal regulators.

The quarterly report by the Office of the Comptroller of the Currency and the Office of Thrift Supervision showed that 88.6 percent of the 32.7 million loans in the portfolio were current and performing at the end of the first quarter of 2011. While delinquencies and foreclosures remained elevated from historic norms, delinquencies improved across all risk categories and for all investors. Mortgages that were 30-59 days delinquent fell to 2.6 percent of the portfolio, the lowest level in three years. Mortgages more than 60 days past due and delinquent loans to bankrupt borrowers declined for the fifth consecutive quarter to 4.8 percent of the portfolio, the lowest level since the first quarter of 2009.

The large inventory of seriously delinquent mortgages and foreclosures in process continued to work through the loss mitigation and foreclosure process. Servicers implemented 557,451 home retention actions (17.4 percent more than the previous quarter) to mitigate risk and assist homeowners struggling with mortgages. Driving that increase was a 78 percent rise in trial-period plans. Permanent modifications fell during the first quarter of 2011, reflecting the lower number of trial-period plans in the third and fourth quarters of 2010 that would be maturing during the first quarter of 2011.

The number of mortgages entering the foreclosure process fell to 312,404—down 11.3 percent from the previous quarter and 15.6 percent from a year ago. The number of mortgages in the process of foreclosure fell slightly, but the overall portion of mortgages in the process of foreclosure remained unchanged from the previous quarter at 4 percent. The number of mortgages that completed the foreclosure process rose by 26 percent from the previous quarter but dropped 27.7 percent from a year ago, as servicers lifted voluntary moratoria on foreclosures that were in place during the previous quarters.

New in this report are data on the performance of mortgages held by the reporting national banks and federal thrift. Because most of the loans tend to be nonconforming loans with increased risk characteristics and geographic concentration in weaker real estate markets, mortgages held by reporting banks and thrift perform worse than mortgages serviced for others. Data showed that 80.3 percent of mortgages held by reporting banks and thrifts were current and performing at the end of the quarter, compared to 88.6 percent of all reported mortgages. Reporting banks and thrifts hold 14.5 percent of the mortgages included in this report.

Other key findings from the report included:

- The 159,873 modifications implemented during the first quarter of 2011 reduced principal and interest payments by an average of \$333. Modifications made under the Home Affordable Modification Program reduced payments by an average of \$562.
- From the beginning of 2008 to the end of 2010, servicers modified 1,923,603 mortgages. At the end of the first quarter, 52.5 percent remained current or were paid off. Another 8.2 percent were 30 to 59 days delinquent, and 18.5 percent were 60 or more days delinquent. More than 10 percent were in the process of foreclosure, and 4.5 percent had completed the foreclosure process.
- Modifications that reduced monthly principal and interest payments by 10 percent or more performed better than those reducing payments by less than 10 percent. At the end of the first quarter of 2011, 61.6 percent of modifications made since January 1, 2008 that reduced payments by 10 percent or more were current and performing. Only 37.1 percent of modifications made during that same period that reduced payments by less than 10 percent remained current at the end of the first quarter of 2011.

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

Attachments:

- OCC and OTS Mortgage Metrics Report, First Quarter 2010

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Related Files

- **OCC and OTS Mortgage Metrics Report 1Q 2011** - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2011-15a.pdf>