

# **FHFA Perspectives on Foreclosure Prevention and Principal Forgiveness**



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# My goal today is to answer two key questions:



1. What do the Enterprises do to assist borrowers through these troubled times in housing?
2. How has FHFA assessed principal forgiveness as an option for assisting troubled borrowers?

# Figure 1. Enterprise Alternatives to Foreclosure



Retention		Liquidation
<p><b>HAMP</b></p> <p>Reduce monthly payment to 31% of homeowner's gross monthly income</p> <p><b>Steps:</b></p> <ul style="list-style-type: none"> <li>• Collateralize arrearages</li> <li>• Reduce interest rate</li> <li>• Extend Term</li> <li>• Forbear principal</li> </ul>	<p><b>Proprietary Modifications</b></p> <p>Serve those ineligible for HAMP; at least 10% reduction in homeowner's monthly payment</p> <p><b>Steps:</b></p> <ul style="list-style-type: none"> <li>• Collateralize arrearages</li> <li>• Forbear principal (for loans &gt;115% LTV)</li> <li>• Extend Term</li> <li>• Fixed interest rate @ 4.625%</li> </ul>	<p><b>Non-Retention</b></p> <p>Offer homeowners solutions other than foreclosure</p> <p><b>Options:</b></p> <ul style="list-style-type: none"> <li>• Home Affordable Foreclosure Alternative</li> <li>• Enterprise Short Sale</li> <li>• Enterprise Deed-in-Lieu</li> </ul>

# Table 1. Enterprise Delinquencies and HAMP Permanent Modifications



## Fannie Mae and Freddie Mac loans, delinquencies, and HAMP active permanent modifications versus US total

*(Counts in thousands)*

	US	Fannie Mae & Freddie Mac	GSE share
Loans serviced	48,742	29,045	60%
Serious delinquent rate	7.7%	3.8%	
Serious delinquent loans	3,768	1,105	29%
HAMP active permanent modifications	763	400	52%

Sources:

Loans Serviced:

US: MBA Delinquency Survey; 4Q11. US loans serviced represents the reported number in the survey (42,892,629) grossed up for (i.e. divided by) the reported level of coverage of the survey (88%). GSE: FHFA Fourth Quarter Foreclosure Prevention Report

Serious Delinquency Rates:

US: MBA Delinquency Survey. GSE: FHFA Fourth Quarter Foreclosure Prevention Report

Serious Delinquent Loans:

US: FHFA estimate based on the reported serious delinquency rate in the survey times the adjusted number of loans serviced.

GSE: Fannie Mae and Freddie Mac; Dec 2011

HAMP Active Permanent Modifications:

US: MHA Program Performance Report; Dec 2011. GSE: MHA Program Administrator; Dec 2011.

# Table 2. Re-Default Rates



## Re-Default Rates for Portfolio Loans and Loans Serviced for Other (60 or More Days Delinquent)\*

Investor Loan Type	3 Months After Modification	6 Months After Modification	9 Months After Modification	12 Months After Modification
Fannie Mae	11.7%	18.8%	24.1%	27.5%
Freddie Mac	11.3%	18.1%	23.2%	26.8%
Government-Guaranteed	17.2%	34.6%	44.2%	49.2%
Private	23.5%	34.5%	42.0%	46.7%
Portfolio Loans	7.9%	15.2%	20.6%	24.6%
Overall	15.7%	26.0%	32.7%	37.0%

\*Data as of December 31, 2011 and include all modifications made since January 1, 2008, that have aged the indicated number of months.

Source: OCC Mortgage Metrics Report, Fourth Quarter 2011;

<http://www.occ.treas.gov/publications/publications-by-type/other-publications-reports/mortgage-metrics-2011/mortgage-metrics-q4-2011.pdf>

# Table 3. Modification Performance, by LTV



**Fannie Mae Modification Performance: Loan Count and % Loans current or paid off 12 months after modification**

MTMLTV at time of Modification	HAMP Loan Count <sup>1</sup>	HAMP % current	2010 and later FNM proprietary modifications with Trials <sup>(2)(3)</sup>	% current of 2010 and later FNM proprietary modifications with Trials <sup>3</sup>
Current LTV <=80%	35,516	76%	14,385	72%
LTV>80 and <=90	24,005	75%	9,207	72%
LTV>90 and <=100	27,755	73%	10,396	71%
LTV>100 and <=125	48,707	74%	16,554	72%
LTV>125 and <=150	23,743	76%	7,283	74%
LTV>150 and <=175	12,312	75%	3,747	74%
LTV>175 and <=190	4,536	74%	1,251	74%
LTV>190	8,121	72%	2,345	70%

1) 441 loans with Missing MTMLTV

2) 214 loans with Missing MTMLTV

3) Proprietary modifications include: Alt Mod 2010, FNM Mod and Mod24

# Table 4. Modification Performance, by Pay Change



## Fannie Mae Modification Performance: Loan Count and % Loans current or paid off 12 months after modification

Payment Change	HAMP Loan Count	HAMP % current	Count on 2010 and later FNM modifications with Trials <sup>3</sup>	% current of 2010 and later FNM proprietary modifications with Trials <sup>3</sup>
Payment Increase	332	59%	842	44%
Payment Decrease 0 <-10%	13,908	60%	4,640	57%
Payment Decrease 10 <-20%	22,807	65%	7,741	62%
Payment Decrease 20 <-30%	29,490	69%	10,085	69%
Payment Decrease > 30%	118,598	79%	42,073	79%

3) Proprietary modification include: Alt Mod 2010, FNM Mod and Mod24

# Table 5. Foreclosure Prevention Transactions

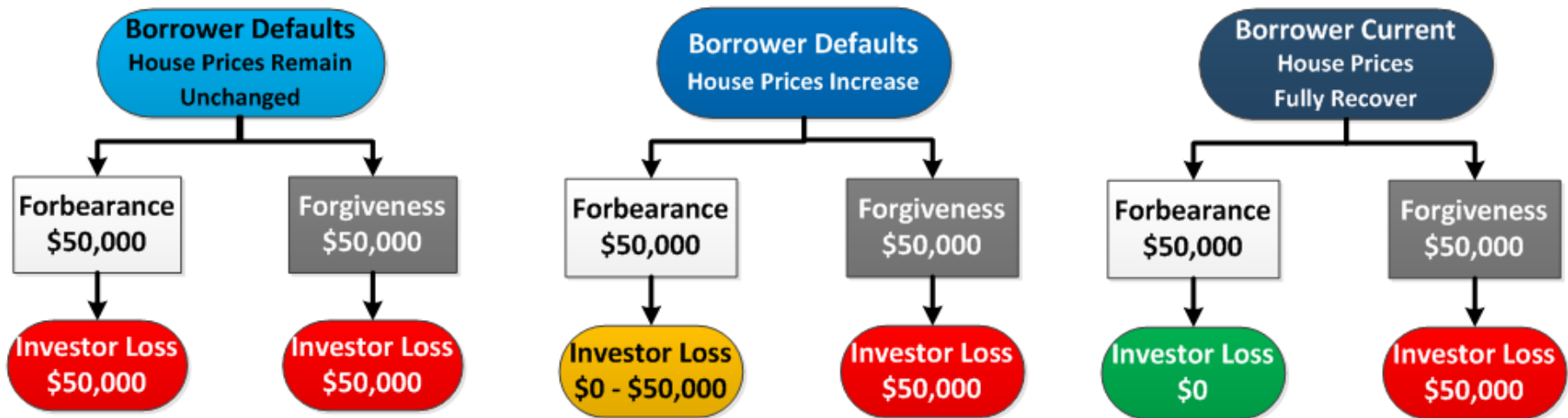


Year-end	Single-Family Book Profile <i>(at period end)</i>			Foreclosure Prevention Actions			Number of Foreclosures
	Number of Single-Family Mortgages	Serious Delinquency Rate	Number of Serious Delinquent Loans	Number of Modifications	Number of all other Foreclosure Prevention Actions	Total Foreclosure Prevention Actions	
4Q08	30,536,416	2.1%	652,766	23,777	48,218	71,995	34,804
2009	30,509,106	4.8%	1,470,243	163,647	267,451	431,098	245,760
2010	29,717,270	4.2%	1,255,914	575,022	371,283	946,305	424,986
2011	29,044,654	3.8%	1,104,911	322,108	343,712	665,820	341,738
<b>Total</b> <sup>1</sup>				<b>1,084,554</b>	<b>1,030,664</b>	<b>2,115,218</b>	<b>1,047,288</b>

<sup>1</sup>Since the first full quarter in conservatorship (4Q08).



# Figure 2. Investor Loss



# Table 7. HAMP v. HAMP PRA, 5% Current Imminent Default - Summary



<b>Enterprise Results</b>		
<b>HAMP v. HAMP PRA, 5% Current Imminent Default</b>		
<b>Data as of 6/30/2011</b>		
<b>ALL LOANS &gt; 115 MTMLTV</b>		
<b>\$ in Billions</b>	<b>HAMP</b>	<b>HAMP PRA</b>
Number of Loans	691,008	691,008
Outstanding Balance	\$137.6	\$137.6
Loss if No Modification (1)	\$63.7	\$63.7
Principal Forgiveness/Forbearance Amount	\$15.2	\$35.4
Average Forgiveness/Forbearance Per Loan (in \$)	\$22,000	\$51,000
Loss if only borrowers who are NPV Positive get a Modification (2)	\$55.5	\$53.7
Decrease in Loss from Providing Modification (1) - (2)	\$8.2	\$9.9

# Table 8. HAMP v. HAMP PRA, 5% Current Imminent Default - By MTMLTV



**HAMP v. HAMP PRA with Triple PRA Incentive Payments  
Subsidy Analysis by MTMLTV  
5% of Current Loans are assumed to be in Imminent Default  
Data as of 6/30/2011  
All NPV Positive Loans > 115% MTMLTV at 6/30/2011**

\$ in Billions*	Sum of Expected Loss, HAMP Modification	Sum of Expected Loss, HAMP PRA Modification	Sum of Difference in Expected Losses Between the Modification Scenarios	Total Gross Potential PRA Incentive Payments	Sum of Expected Incentive Payments Value Based on Default Rate
115% < MTMLTV <=125%	\$10.1	\$10.1	\$0.0	\$1.1	\$0.5
125% < MTMLTV <=140%	\$12.4	\$12.4	\$0.0	\$1.9	\$0.8
MTMLTV > 140%	\$33.0	\$31.2	\$1.8	\$6.5	\$2.4
<b>Grand Total</b>	<b>\$55.5</b>	<b>\$53.7</b>	<b>\$1.7</b>	<b>\$9.5</b>	<b>\$3.8</b>

\*Columns may not sum due to rounding

# Table 9. Offset of HAMP PRA Incentives



	Number of Participants	Decrease in Enterprise Losses Using HAMP PRA over Standard HAMP (in \$B)	Number of Strategic Modifiers Needed to Offset Benefit of HAMP PRA Incentives
Full Participation	691,000	\$1.70	90,000
Half Participation	345,500	\$0.90	50,000
Quarter Participation	172,750	\$0.40	20,000

